International Labour Conference
85th Session 1997

Report V (2)

General conditions to stimulate job creation in small and medium-sized enterprises

International Labour Office Geneva

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INTRODUCTION

At its 262nd Session (March 1995) the Governing Body decided to place on the agenda of the 85th Session (1997) of the International Labour Conference the question of general conditions to stimulate job creation in small and medium-sized enterprises.

In accordance with article 39 of the Standing Orders of the Conference, which deals with the preliminary stages of the double-discussion procedure, the Office drew up a preliminary report,[1] intended to serve as a basis for the first discussion of this question. The report contains an introduction to the question and an analysis of the law and practice in the area of general conditions to stimulate job creation in small and medium-sized enterprises in various countries. It was accompanied by a questionnaire and was communicated to the governments of member States of the ILO, which were invited to send their replies so as to reach the Office by 1 June 1996 at the latest.

At the time of drawing up the present report, the Office had received replies from the governments of the following 71 member States:[2] Argentina, Australia, Austria, Bahamas, Bahrain, Bangladesh, Barbados, Belarus, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cuba, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, Finland, France, Germany, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Latvia, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar, Netherlands, New Zealand, Nicaragua, Niger, Norway, Oman, Philippines, Panama, Peru, Poland, Portugal, Qatar, Romania, Singapore, Slovakia, Spain, Sudan, Sweden, Suriname, Switzerland, Thailand, Turkey, United Kingdom, United States, Uruguay, Venezuela and Yemen.

The governments of 13 member States (Barbados, Brazil, Bulgaria, Cambodia, China, Finland, Latvia, Myanmar, Norway, Poland, Romania, Sweden and the Syrian Arab Republic) stated that their replies had been drawn up after consultation with workers' and employers' organizations, and some included in their replies the opinions expressed on certain Points by these organizations, or referred to them. Other governments sent separately the observations from employers' and workers' organizations without referring to them; and in some cases replies were received directly from employers' and workers' organizations.

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[1] ILO: *General conditions to stimulate job creation in small and medium-sized enterprises*, Report V(1), International Labour Conference, 85th Session (Geneva, 1997).

[2] Replies that arrived too late to be included in the report may be consulted by delegates at the Conference.

This report has been drawn up on the basis of the replies received, the substance of which, together with brief commentaries, is given in the following pages. The Proposed Conclusions appear at the end of the report.

If the Conference decides that it is advisable to adopt one or more international instruments, the Office will draw up, on the basis of the Conclusions adopted by the Conference, one or more draft instruments to be submitted to governments. It will then be for the Conference to make a final decision on the subject at a future session.

REPLIES RECEIVED AND COMMENTARIES

This section contains the substance of the replies to the questionnaire which accompanied the preliminary report. Each question is reproduced and followed by a list indicating the governments that replied to it, grouped in accordance with the nature of the replies (affirmative, negative or other). Whenever there is an observation qualifying or explaining the reply, the substance of each observation is given, in alphabetical order of countries, after the above-mentioned list. Where a reply deals with several questions, or refers to an earlier question, the substance of the reply is given under the first of these questions and is only referred to in the other questions. The replies are followed by brief Office commentaries referring to the corresponding Point(s) of the Proposed Conclusions at the end of this report.

Some governments gave information on their national law and practice in their replies. While this is most useful for the work of the Office, this information has not been reproduced unless it is necessary to understand the reply. Affirmative or negative replies from employers' and workers' organizations and not accompanied by remarks are quoted only when they are contrary to the reply from the government, or when the government has not replied to the question.

In reply to Questions 1 and 2 some governments expressed their preference for not adopting an international instrument, but nevertheless replied to subsequent questions which concerned the content of such an instrument; their observations should be understood accordingly.

The replies to Question 32 have, where appropriate, been included under the general observations which follow below.

General observations

Australia. The questions in the questionnaire about social security appear to have in mind models based on employer/employee contributions. The Australian system is very different and does not experience the same issues of coverage for employers or employees in small and medium enterprises as do many other countries. Thus, with the exception of workers' compensation and superannuation, Australia's system is publicly funded through general revenue, and benefits are provided on a needs basis (as opposed to a contribution basis). In addition, unlike many other countries, Australian employers play little role in the provision of health benefits. Thus, the scope of workplace level action on social security matters is currently very limited in Australia.

Australian Chamber of Commerce and Industry (ACCI): It should be recognized by all parties that an instrument in this area would be different from many ILO instruments. In attempting to encourage employment in SMEs an instrument would, of necessity, accord to some groups in some countries a different status than it does for others. In many cases organizations of employers may be of greater import than organizations of employees in directly creating employment opportunities. Whilst not being within the usual scope of ILO activity, and in no way excluding representative organizations of employees which can add to the success of projects, an instrument should recognize this fact and approach employment in a practical manner which will be of greatest utility to jobseekers and employers in member States. It should also be recognized that an instrument arising from these processes will not be a protective one, but rather will seek to create employment opportunities through positive and proactive initiatives. Reference to existing protective instruments is worthy, but any effort to translate this into one of de facto condition improvement will decrease its effectiveness. As stated in the body of the questionnaire, the rights of employees are already dealt with in a range of other instruments that govern all employment in signatory States, whether in small or large enterprises. The subject also represents a profound opportunity for the use of new technologies, both in the operation of the instrument at an international and national information sharing level, and in the actual provision of services to SME employers and their potential employees. An instrument should recognize this and encourage the best use of new and emerging technologies. Finally, this is an area where there is great potential for dialogue between the social partners in many member States, which could result in a valuable instrument. However, the effectiveness of even the best designed text will depend on the will and funding priorities of the governments of member States.

Austria. The legal participation of workers takes on considerable importance in SMEs, where they are often at the mercy of the arbitrariness of their employer. It would therefore be necessary to add a passage to the instrument stressing how important collective agreements are for workers in SMEs.

Metal, Mining and Power Workers' Union (GMBE): In principle, the union agrees with most of the Points in the proposed instrument. It has therefore refrained from replying to each question individually and has limited itself to referring to those Points that it considers to be the most important.

Association of Austrian Manufacturers (VÖI): SMEs play an important economic role, in particular in regard to job creation. Governments have a responsibility to provide an appropriate economic policy framework to ensure attractive conditions for the setting up and operation of enterprises untrammelled by unreasonable bureaucratic restrictions. Employers and workers' unions, credit facilities, and the education system also have their share of responsibility in this connection. However, it would be inadvisable to draw up an international instrument on this subject. Such an instrument, even in the form of a Recommendation, would probably involve new bureaucratic procedures and would hence not be a particularly constructive contribution towards the intended objective.

Austrian Confederation of Trade Unions (ÖGB): It is to be welcomed that the ILO is endeavouring to introduce general conditions to stimulate job creation in SMEs, given the current trend in Europe away from large enterprises in favour of smaller ones. Consultation with the unions on this subject should be accorded greater importance as experience has shown that in practice unions tend to come up against difficulties in connection with SMEs. Discussions should be held on the possibility of establishing "umbrella work councils", which to a certain extent could provide employees in SMEs with improved trade union support, particularly where current legal provisions do not provide for the option of a works council. During such discussions, care should be taken to ensure that unions occupy a position of influence in enterprises of this size in the future.

Austrian Chamber of Commerce: Experience in recent years has shown that it is above all the SMEs that have been able both to retain jobs and create new ones. They should therefore be supported and promoted to the greatest extent possible. However, the form of such support and promotion should certainly not be "standardized" for all the different economic systems and thus for all the member States of the ILO, thus rendering superfluous an international instrument relating to the issue (even if it were only to take the form of a Recommendation) which is not likely to be ratified.

Barbados. Barbados Workers' Union (BWU): Special difficulties face SMEs and exemptions and/or specific provisions need to be designed to reflect their economic circumstances. However, the ILO standards relating to basic human rights must be protected. Adequate provisions and assistance should be available for workers in case of termination of employment due to business failure or restructuration.

Bulgaria. The questionnaire is detailed and comprises the most important aspects of SME development. It will contribute to the adoption of an international instrument on the subject.

Burundi. For SMEs to be able to create jobs effectively, they need to be firmly established in a country and all the right conditions must be present together for them to flourish, especially in the developing countries. Where those conditions do not yet exist, extensive international cooperation is essential. The Office should therefore emphasize this Point.

Canada. While the economic importance of SMEs calls for government policies of promotion, a large and expensive bureaucracy should not be created. There is also a need to avoid creating any additional burden on SMEs by way of rules, regulations, policies and expense.

Canadian Employers' Council (CEC): Although the questionnaire presumes that the traditional approach of instrument-setting will somehow improve job creation, the CEC agrees with the findings of the Small Business Working Committee Report, *Breaking Through Barriers*, that it will have the opposite effect. The 1995 OECD Job Study Report stated that payroll taxes and restrictive regulation (i.e. labour legislation) are the main impediments to SME growth and job creation, and recommends less government regulation. Recommendations for governments to cut red tape, reduce payroll and other taxes, eliminate deficits, rationalize their own activities and create an entrepreneurial barrier-free culture are better ways to stimulate job growth. Questions of employee discrimination, protection and the right to free collective bargaining, adjudication and redress are already covered in most developed countries through existing labour legislation, human rights codes and constitutional guarantees. Enforcement of existing regulations is more appropriate to this subject than adding more layers of regulation and reporting burdens in the interest of "helping" SMEs. Finally, the appropriateness of a Convention can be questioned, as SME growth, development, trade, financing and job creation are areas that overlap with research and programmes being undertaken by other international bodies, such as the IMF, World Bank and OECD, to name only a few.

Central African Republic. Member States could offer "fiscal contracts" exempting SMEs from certain taxes in exchange for an undertaking to create jobs.

Chad. Trade Union Confederation of Chad (UST): While Chad does not having the financial means or an appropriate institution to promote their activities, it is aware of the importance of SMEs and the adoption of the proposed instrument is to be welcomed.

Chile. United Trades Confederation of Small and Medium-sized Enterprise, Service and Craft Industries of Chile (CONUPIA): The questionnaire is clear and exhaustive.

Colombia. General Confederation of Democratic Workers (CGTD): Instead of promoting SMEs, governments should encourage industrialists to establish large companies through which production can be planned. Technological programmes are easier to apply and achieve better results in large enterprises than in small ones. This would ensure good worker representation with better trained union leaders, something which cannot be achieved in SMEs, let alone in micro-enterprises, a system which has been proliferating in developing countries.

Cuba. The problems of SMEs, and their introduction and development in the circumstances currently prevailing in Cuba, go far beyond the adoption of partial and fragmented policies and tactics. In order to achieve the best possible results it would be necessary to consider: (a) in regard to policies, the adoption of regulations that encourage the development of various forms of SMEs; (b) action strategies to introduce and develop SMEs as an integral part of economic restructuring; and (c) tactical/operative guidelines for drawing up programmes of specialized institutional support.

Denmark. The theme selected for the 85th Session calls for a debate on labour market and employment policies. The focus will be on issues of vital importance for continued growth and on removing barriers to continued growth and survival. The instrument should focus mainly on the increased role of the mutual exchange of information and experience ("best practice") and cooperation and coordination in connection with transnational projects. Local and regional conditions are crucial in the setting up of new enterprises, whereas it may be difficult to find a common basis across sectors and types of enterprises. Good advisory and counselling services targeted on the individual's situation and needs are a central element for the survival and development of enterprises. A subsidiarity principle should be used in connection with the drawing up of specific offers and targets/policies. The instrument should be confined to establishing the general framework. Denmark supports international and multidisciplinary analyses which may identify barriers of a general nature and which may in this way be useful in the formulation of national policies. The adoption of support schemes, concrete programmes and more specific requirements in relation to different (economic) policy fields should, however, take place exclusively at the national level. The Danish Government supports a common instrument if it takes the form of a Recommendation (see Question 2). The replies to the individual questions should be seen in the light of this position.

Estonia. Estonian Association of Trade Unions (EATU): It may be necessary to include in the document some instruments related to financial and economic measures (for example tax facilities) to motivate the creation of SMEs.

Finland. Attention should be paid to the development of the operating conditions of SMEs. Instead of adopting a Recommendation, it would be preferable to discuss and exchange information. The discussion should concentrate on the most essential and important issues, whereas less attention could be paid to the handling of the detailed questions prepared by the International Labour Office. The general discussion could also consider the conclusions reached at the ILO discussion in June 1986. The replies to the questions in the Finnish reply are based on the assumption that an "instrument" is adopted which refers to a resolution reached on the basis of general discussion.

France. French Democratic Confederation of Labour (CFDT): The notion of SMEs in the European Union covers enterprises up to 250 workers, which in most countries represent two-thirds of all workers. For most of the Points dealt with in the questionnaire it would be better to specify a smaller size of enterprises (less than 50 workers), or even encourage governments to make distinctions between enterprise size on the basis of sectoral differences.

Germany. Employment is subject to a wide disparity of legal and practical conditions in SMEs in the member States of the ILO. In addition, the importance of this form of employment for different national economies varies widely. Moreover, important changes in economic structures (e.g. an increase in new forms of self-employment) are currently taking place, requiring frequent adjustments in the national legal framework. An instrument regarding the general conditions to stimulate job creation in SMEs would have to be extremely flexible, would require numerous detailed regulations and exceptions, and would need to be constantly adjusted to economic developments. Against this backdrop, no instrument — not even a Recommendation — should be adopted. Germany's replies to the questions must therefore be seen as only provisional. A number of international and supranational organizations (e.g. the EU and OECD) have already dealt with this question, and the results of their work and experience should be taken into account when the report for the International Labour Conference is drafted.

Hungary. It was difficult to answer the questionnaire because the questions did not always properly reflect Hungary's national characteristics. An attempt was made to indicate the nature of these difficulties in the replies.

The representatives of employers' organizations wish to add that although SMEs are the most sensitive economic players in a market economy, the attitude reflected in the questionnaire is not decidedly market-oriented in a number of places. It is suggested that the questionnaire ought to emphasize commitment to a free and flexible market.

Israel. General Federation of Labour in Israel (Histadrut): The ILO questionnaire almost entirely excludes such vitally important areas as trade union rights, working conditions, terms and conditions of employment and labour inspection. This is impossible to either understand or to accept, particularly given that the ILO's background report does provide a certain amount of detail on these questions and since the ILO questionnaire begins by asking whether the proposed instrument should apply to these areas (Question 5(b)). These areas should furnish the core of any instrument, while the other areas discussed in the questionnaire, such as the development of an effective service infrastructure for SMEs, may be considered as optional extras. If the ILO continues to overlook the core areas, there is a risk that no consensus will be found in favour of an instrument on this question. Consequently, the draft instrument needs to be modified to include the areas of core importance to trade unions, along the lines suggested in the reply to the questionnaire. Specifically, two or three entire sections should be included at the beginning of the instrument to cover such questions as trade union rights, social protection, occupational safety and health, working conditions, terms and conditions of employment and labour inspection in SMEs. These should be addressed comprehensively, providing adequate guidelines for improving the conditions of workers in SMEs to ensure that the quality of employment in SMEs is raised as a result of this instrument.

Japan. Since the 1970s, unemployment has increased all over the world and is a serious problem in many countries. SMEs have always played a clear role in supporting employment, with many SMEs developing new businesses or introducing innovative methods. Accordingly, the time is appropriate for examining measures by which SMEs can achieve stable growth and efficiency and sustain effective roles henceforth in the field of employment. The gist and content of the instrument, which can be deduced from the questionnaire, are in general valid. However, taking into account the fact that the questionnaire refers to a very wide range of matters of trade and monetary policy for SMEs, as well as social and cultural aspects, and is not confined to labour problems, and in consideration of the diversity of realities, legislation and customs among member States, it would be appropriate for the instrument to take the form of a Recommendation, as proposed by the Office. The content of the Recommendation should be of a succinct and basic nature and should not be excessively concrete and detailed, in order to facilitate its acceptance by a larger number of member States.

Japan Federation of Employers' Associations (NIKKEIREN): Full attention should be paid in the preparation of the instrument to local conditions for SMEs, and the focus should be placed on improving SME dynamics, and hence on creating and developing industries and on job creation.

Jordan. Amman Chamber of Industry: The proposed content is both excellent and useful.

Lebanon. Although it is important to stimulate job creation in SMEs, this should be done through national laws and regulations, with account being taken of the material and human potential and the situation of these establishments concerning capital, human resources, and productivity.

Lithuania. Lithuanian Workers' Union (LDS): Similar comments to those of Israel — Histadrut.

Mexico. The heterogeneous nature of SMEs within each country and at the international level requires instruments which are clear, simple and flexible. This is one of the reasons why it would be advisable initially to adopt a Recommendation rather than a binding instrument such as a Convention.

Netherlands. Special attention should be paid to advice and information given by, for instance, the government, to entrepreneurs who employ fewer than 35 employees.

New Zealand. New Zealand does not support the introduction of an instrument concerning general conditions to stimulate job creation in SMEs. The New Zealand Government does not believe that special instruments should be established for specific sectors of the labour market. Policies relating to job creation in SMEs should be determined by individual ILO member countries in accordance with national policies and practice. The key to job creation is the establishment of a supportive economic environment for all enterprises regardless of size. Stable macroeconomic policies are of primary importance in creating an environment in which firms can operate without uncertainties. Micro-economic reform is also important in creating the space and freedom for firms to apply their innovative and entrepreneurial energies within a competitive environment. It would be extremely difficult to draft an instrument that could accommodate the diversity of national policies and practice in this area. The comments in New Zealand's reply to the questionnaire are made subject to this overall position. In the questionnaire, there is little emphasis on the process of job creation within SMEs. The questionnaire appears to assume that SMEs by their very existence create employment. More emphasis needs to be put on how SMEs might create and maintain employment. Training and skills development are not well covered in the questionnaire and, in particular, the importance of training for both the firm owners and their workers should be stressed. Any instrument, if developed, would need to place significant emphasis on the importance of training and skill development for SMEs.

Niger. Confederation of Workers' Trade Unions of Niger (USTN): Areas that have been omitted from the questionnaire should be added, including the right to organize, social protection, occupational safety and health, equality of opportunity for women, prohibition of child labour and labour inspection. The following should be excluded: recognition of a distinct legal identity for SMEs, review of labour regulations supposedly in order to meet the special needs of SMEs, and the promotion of sponsored organizations to represent workers in SMEs. Some proposals in the questionnaire violate the standards and principles of the ILO. The omissions that are prejudicial to workers should be remedied and the proposals that are harmful to them should be deleted. By avoiding certain gratuitous misunderstandings the conditions conducive to a consensus can be created.

Norway. Confederation of Trade Unions in Norway (LO): The instrument must promote a situation whereby national policy encourages sustainable development in the SME sector, and ensures that national requirements for food, clothes, education and health are taken into account.

Oman. The instrument should provide for the need to benefit from the expertise of advanced industrialized countries, by inviting them to provide fellowships of various kinds for the creation and development of SMEs in other member States, in order to create increased labour opportunities. These fellowships could take various forms, such as the provision of funds, expertise, technology, information and secure markets for SMEs' products.

Pakistan. Pakistan National Federation of Trade Unions (PNFTU): Similar comments to those of Israel — Histadrut.

Panama. National Association of Small and Medium Sized Enterprises (UNPYME): SMEs can provide tremendous impetus for the creation of jobs, the development of countries and the improvement of living standards. Current laws do not promote sufficient development of SMEs due to bureaucratic processes. Although the overall view of development requires joint participation by teams of workers and employers, there is often mutual mistrust between the parties. It is important to include programmes to stimulate work in participative teams of both workers and employers. In these teams the rights and obligations provided by law should be respected, as should the desire of both parties to prosper in spite of the rigidity and inconvenience of the laws regulating relations between them. The fact that a person establishes himself as a small or micro-entrepreneur with the aim of making a living in an ethical job should be seen as something desirable; a person who creates his own employment and produces wealth and work for others should be viewed in a positive light. Categorizing honest entrepreneurs as exploiters reduces the possibility of individual growth for all those involved and for the enterprises concerned.

Philippines. The instrument should provide ample protection to individual workers against abuse, maltreatment and discrimination.

Poland. Independent Self-Governing Trade Union (Solidarnosc): Similar reply to that of Israel — Histadrut.

Portugal. The document should include measures which counterbalance trends in the world economic development model in order to avoid the inclusion of enterprise behaviour which, on the pretext of gains in competitiveness, may consist of detrimental practices which might easily become globalized. Account should therefore be taken of the growing liberalization of world trade and the delocalization of production, which will result in greater unemployment, insecurity and a decline in consumption, which could lead to the reintroduction of protectionist clauses.

Confederation of Commerce and Services of Portugal (CCP): The Recommendation should be an instrument to coordinate efforts and should not include any unnecessary aspects.

Senegal. National Confederation of Workers of Senegal (CNTS): Similar reply to that of Israel — Histadrut.

Singapore. Singapore is aware of the economic benefits associated with the development and growth of SMEs and the Government of Singapore has, in formulating its economic strategy, emphasized the potential for SME growth. Assistance programmes are already in place to aid the development of SMEs, one of which is the setting up of the Enterprise Promotion Centre which is highlighted on page 78 of the report. Legislation is in force to safeguard the interests and welfare of workers employed in such enterprises. Labour laws in Singapore apply to all employers regardless of their size. As SMEs are usually members of chambers and associations in their own countries, the development of SMEs should be based on the principle of self-help, supported by government initiatives and programmes. By coming together in an association, as in Singapore, SMEs are able to pool resources and benefit from the privileges normally available only to large or multinational organizations. While recognizing the need to create a conducive environment for SME progress, Singapore does not see the need for an international instrument. Given the fact that the scope of the subject-matter is very broad wide-ranging issues to be addressed, there could be doubts on the practicality of the adopted instrument. The development of an effective SME service infrastructure (Part VI of the questionnaire), for instance, should be viewed in the light of differences between countries' resources and priorities in their economic development plans. Though the role of job creation in SMEs may be vital to countries faced with exceedingly high unemployment levels, a number of rapidly developing countries in the Asian region are enjoying full employment and, in some cases, there is a shortage of indigenous labour for sustained economic growth. With such diverse levels of economic growth and such different economic strategies in various countries, international collaboration in the areas prescribed in Part VIII of the questionnaire may be difficult to realize.

South Africa. Business South Africa (BSA): The comments to the questionnaire reflect BSA's initial thinking on the subject and are not necessarily definitive.

Spain. If the instrument is to include a paragraph on employers' projects and direct employment promotion in the context of a national employment policy, it should refer not only to the provision of guidance, information and vocational training but to economic aid for job creation in its various forms: recruitment procedure, reductions in social security contributions and, especially, incentives for self-employment or the creation of small companies such as cooperatives and limited liability companies. This aspect should at least be mentioned with the various forms of aid being listed in two paragraphs, one for the promotion of employers' projects and the other for job creation by existing enterprises. The first paragraph would refer to support for cooperative activities, the promotion of self-employment and local employment initiatives by entrepreneurs, which are innovative, create employment, use idle or underutilized local resources and involve the local or regional authorities. The economic aid could include the subsidized interest rates on investment loans, enterprise start-up capital, technical assistance and vocational training and, where appropriate, a lump-sum employment benefit for workers who were out of work prior to embarking on their project. The second paragraph could refer to employment creation measures undertaken by enterprises and cover both forms of recruitment (short-term contracts, on-the-job training, apprenticeship, temporary replacements, etc.) and subsidies for each post created for a specific category of unemployed workers or reduced social security contributions, as well as fiscal incentives to create jobs.

Sri Lanka. Ceylon Workers' Congress (CWC): Similar reply to that of Israel — Histadrut.

Sweden. The Swedish ILO Tripartite Committee feels that measures to promote a favourable environment for SME growth should be debated within the ILO over the next few years, and welcomes the ILO's decision to put questions concerning general conditions to stimulate job creation in SMEs on the agenda of the 1997 Session of the International Labour Conference. However, there is no useful purpose served in the ILO drawing up a new instrument on the framing of national policies for SMEs with such a degree of detail as is suggested in the questionnaire. There already exist several instruments which apply to all employees, regardless of the size of the undertaking, and the ILO should continue to concentrate its efforts on the implementation of more generally applicable instruments of this kind. Sweden would have preferred the subject to be raised in a general discussion only, which could play an important part in disseminating knowledge and understanding of conditions for small firms. The ILO could also do more to promote an interchange of experience and to disseminate knowledge on "best practice" with regard to stimulating the development of these firms. Sweden refrains from commenting on the questionnaire accompanying the report, although it notes that the areas dealt with in the questionnaire cover comprehensively the various aspects of entrepreneurial development which it is important to take into account so that SMEs can be established and developed and contribute towards new and increased employment.

Switzerland. Swiss Federation of Trade Unions (USS): Similar comments to those of Israel — Histadrut.

Federation of Swiss Societies of Salaried Employees (VSA): A distinction should be made in the instrument between the problems of small and micro-enterprises, on the one hand, and medium-sized enterprises, on the other.

Turkey. Since necessary information regarding local SMEs is disseminated through Euro Info Centres (EICs), such institutions should be supported.

Turkish Confederation of Employer Associations (TISK): As regards their need for encouragement, SMEs should be considered as institutions with a special status. However, the worker-employer relationship should be viewed within the current system and should not be subject to varying application.

United Kingdom. There is no single model for the stimulation of job creation in SMEs, and therefore no detailed reply is given to the questionnaire. While the role of SMEs in job creation is an important issue for the United Kingdom, SME policy is a matter for each country to determine and it would be neither desirable nor practical for the ILO to adopt an instrument on this subject. The ILO should be strongly encouraged to carry out research and to promote the exchange of information on good practice between member States which would take account of work already being undertaken in this area. Within the European Union, the exchange of best practice is a major element of the Commission's Integrated Programme for SMEs, comprising a series of fora about practices at Community, national and regional levels to support the start-up, growth and development and transfer of businesses. The first forum covered support for business start-ups. The outcome could be studied by the ILO and contribute to further research on a wider scale. There are plans to hold future fora on the transfer of business and increasing the use which SMEs make of advisory and information networks, which may also provide useful information. Best practice fora are also central to the OECD's Working Party on Small and Medium-sized Enterprises, which has been assessing strengths and weaknesses and the overall impact of SME policies in member countries. The ILO could benefit from the OECD's research findings as well as conducting its own research across the wider spectrum of ILO member States.

United States. United States Council for International Business (USCIB): Job creation, whether it involves SMEs or large organizations, is not something which should be regulated. Government regulations have never created a job except in the public sector. Job creation cannot be mandated, but it can be inhibited by government-imposed labour market rigidities and an unstable economic environment. The purpose of policy conclusions or a Recommendation should be to facilitate an economic and social environment that encourages and allows SMEs to prosper and grow. Of considerable concern in the development of a new instrument is the role of government intervention and industrial policy. While there are certainly other factors involved in attaining low unemployment and inflation levels, in general the imposition of programmes and policies by government introduces rigidities and distortions into the efficient allocation of resources in the labour market. By definition, policies to promote some firms, in this case SMEs, do so at the expense of other firms (i.e. non-SMEs). While these programmes and policies may serve social objectives, they may quite possibly hinder rather than help the labour market and the achievement of full employment. Given the paucity of data on SMEs, it is difficult to formulate any definitive policy. Economic and cultural environments differ to such a large extent between countries as to preclude the adoption of a "one size fits all" solution. In particular, there may be a case for the limited promotion of SMEs in some economies, such as transition economies where information is limited, and its provision can be facilitated through SME development programmes. But in developed economies and in some developing economies such programmes are likely to be unnecessary.

Workers: The study which precedes the questionnaire is commendable for its thoroughness and balance in presenting the issues which surround job creation in SMEs and in the numerous examples used to illustrate current practice around the world. In general, workers and their organizations should be included and consulted on aspects of economic development to the maximum extent possible. Workers' organizations bring a broad public and social interest to questions of economic development and voice the interests of workers. In recent years there has been a broad drive towards a laissez-faire, unbridled free market model of economic development. This often leads to a downgrading of environmental, social and worker values in favour of business and entrepreneurial interests. Taxes are wrongly seen as unnecessary burdens rather than as the means of affording social goods such as education that support an economic environment which makes new firms and job creation possible. Massive deregulation is wrongly seen as an unalloyed good and government and public servants are wrongly considered as intrusive and unproductive. This unbalanced approach often sacrifices longer term social interests in favour of immediate profit. The incorporation of worker interests and tripartite approaches tempers these tendencies and should be encouraged wherever possible.

Uruguay. Workers' Union of Uruguay (PIT-CNT): The workers' representatives state that despite their lack of support for the adoption of an international instrument on general conditions to stimulate job creation in SMEs, they may nevertheless collaborate with the ILO in adopting decisions relating to this issue.

Venezuela. Employers: All ILO standards should be sufficiently flexible so that they can be applied to SMEs without placing obstacles in the way of their establishment or development. The workers should be shown the way to contribute towards ensuring that a country's labour legislation takes due account of this. The conclusion of collective agreements should be the mechanism used to improve working conditions according to the characteristics of each enterprise and its productivity, based on certain minimum requirements.

Zaire. Democratic Confederation of Labour (CDT): Similar reply to that of Israel — Histadrut.

A large number and range of comments appear under the general observations, including the following.

Some replies comment, generally positively, on the background report and questionnaire, and several point out that a flexible instrument such as a Recommendation would be a very valuable guide and source of inspiration for many Members, particularly those which do not yet have any well-defined strategies for making SME promotion part of a wider effort to generate sustainable quality jobs.

Other replies express the view that an instrument should be flexible enough to accommodate a variety of local conditions and circumstances, rather than a rigid prescription of a single way to generate employment through the promotion of SMEs. A few replies state that even a very flexible instrument would not be practical because of the wide range of national conditions. Others point out that the subject of the proposed instrument should either be left to the prerogative of nation States, or that if an instrument is adopted, it should be left to national governments to adapt it in accordance with their own laws, regulations and local conditions.

Yet other replies point out that an instrument should recognize both quantitative and qualitative aspects of SME development, and attention is drawn to the need for measures to promote better working conditions. A number of replies from workers' organizations highlight a perceived underrepresentation in the questionnaire of areas such as trade union rights, working conditions, terms and conditions of employment and labour inspection and call for the inclusion at the beginning of the draft instrument of two or three sections to rectify these omissions.

A few replies stress the need to avoid duplication with, and to learn from, the work of other international organizations carrying out research on SME-related topics.

The Office has noted the proposal by several workers' organizations for additional sections to address the qualitative aspects of SME employment, and decided at this stage to leave the question of such amendments to the Conference discussion. With regard to the question of flexibility and the ability of the instrument to accommodate local conditions and circumstances, the Office points out that such requirements are in fact very much in line with the characteristics of a Recommendation. Recommendations are not open to ratification but provide guidance on policy, legislation and practice.

I. Form of instrument

Qu. 1 *Do you consider that the International Labour Conference should adopt an international instrument concerning the general conditions to stimulate job creation in small and medium-sized enterprises (SMEs)?*

Total number of replies: 71.

Affirmative: 63. Argentina, Australia, Austria, Bahrain, Barbados, Belarus, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cuba, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, France, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Latvia, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar, Netherlands, Nicaragua, Niger, Norway, Oman, Philippines, Panama, Peru, Poland, Portugal, Qatar, Romania, Slovakia, Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 6. Bangladesh, Germany, New Zealand, Singapore, Sweden, United Kingdom.

Other: 2. Bahamas, Finland.

Argentina. Yes, so as to standardize the measures taken in various countries. Employment is a major issue throughout the world and ways have to be found to maintain a balance between a growing active population and job creation. SMEs differ in many ways from larger enterprises and should therefore be treated separately.

Austria. VÖI: No. See general observations.

Austrian Chamber of Commerce: No. See general observations.

Bahamas. While job creation through small and medium enterprises is necessary, it is not certain that an instrument is necessary since there are several Conventions which offer protection.

Bangladesh. The adoption of such an instrument does not seem necessary since in the context of the present socio-economic conditions of developing countries, it would have an adverse effect on the operation and development of such industries, acting negatively on growth, development, investment climate and job creation.

Belgium. Yes, if what is being considered here are economic policy factors that may have a positive influence on the level of employment in SMEs. This was the essence of the preliminary report. If, however, the intention is to shape job creation in SMEs without taking the specificities of these enterprises into account, the Conference would be losing sight of the aim of the report. However, although SMEs generally operate in local markets, the growing globalization of trade has been affecting them more and more: the costs arising from work and the social conditions surrounding it in the various countries have had repercussions on the competitiveness of SMEs. Thus, it would be a good idea to identify the objective social factors disrupting trade. Consequently, for SMEs which have a strong national or regional identity, a universal formula to stimulate job creation in them cannot really be envisaged.

National Labour Council (CNT): Yes, provided that it deals not only with economic development issues but social aspects, and that a balance is established between these various concerns.

Brazil. Yes. However, this should not be an international standard-setting instrument but rather an act which sets forth means for developing quality employment in SMEs.

National Confederation of Trade (CNC): Specific situations, such as the promotion of job creation in SMEs, should not be covered by international standards. However, should an instrument be adopted on the subject, it should be a Recommendation, which is the only way of ensuring greater flexibility.

Força Sindical: The adoption of an international instrument, such as a Recommendation on SMEs, would be a positive step. However, no account has been taken of the Cooperatives (Developing Countries) Recommendation, 1966 (No. 127) as a guide for drawing up standards and drafting policies.

Canada. Yes. The preliminary view is that an instrument should be adopted.

CEC: No. A Convention and/or Recommendation on this issue would be inappropriate at this time. It would risk the introduction of rigidities that would have the effect of reducing economic growth in the SME sector and increasing unemployment. See also general observations.

Chile. Yes. The instrument should be flexible, ensuring complementarity with existing national public and private instruments.

Colombia. Colombian Association of Small and Medium-sized Industries (ACOPI): Yes, but taking into account the local conditions in each country.

Cyprus. Yes. This would be useful since the existing international labour standards, while recognizing the importance of promotional measures to encourage employment creation in SMEs, provide little guidance to constituents on how this is to be achieved.

Cyprus Employers' and Industrialists' Federation: It is agreed in principle that the issue in question should be examined by the Conference, but the Federation reserves its position on its various aspects pending the Conference discussion.

Denmark. Denmark supports the adoption of such an instrument provided that it takes the form of a Recommendation, and with the emphasis on exchange of information and experience or "best practice".

Confederation of Danish Employers (DA): Yes, under certain conditions as regards scope (labour market, social and education policies).

Finland. See general observations.

France. CFDT: Yes, but it must include the social aspects which are necessarily linked to any form of economic development; these include workers' rights, union rights, working conditions, social protection, employment conditions and the role of the labour inspectorate.

Germany. See general observations.

Confederation of German Employers' Associations (BDA): Yes, with the following proviso. The BDA opposes the idea of setting up a special structural or protection policy in favour of SMEs. There should be no oversupply of aid to the latter. Official policies should provide assistance only when SMEs suffer specific disadvantages in comparison with larger enterprises. This applies, in particular, to problems of financing in view of the fact that SMEs do not have free and easy access to capital markets. In other respects, the promotion of SMEs must take place within the general political framework. In this regard, effective property laws, contractual freedom, protection of competition, an independent and incorruptible legal system, simple and clear tax legislation as well as low tax rates are all of particular importance.

German Confederation of Trade Unions (DGB): Yes.

Ghana. Trade Union Congress (Ghana) (TUC): Yes. An instrument should cover vital areas such as trade union rights, working conditions, social protection, terms and conditions of employment and labour inspection.

Iraq. General Federation of Trade Unions (GFTU): Yes.

Israel. Histadrut: Any ILO instrument concerning general conditions to stimulate job creation in SMEs should take as its core such vitally important areas as trade union rights, working conditions, social protection, terms and conditions of employment and labour inspection. The other areas proposed in the ILO report and questionnaire on this subject should be considered as supplementary to these prerequisites. On that basis, the Conference could consider the adoption of an international instrument on this subject.

Italy. Italian General Confederation of Labour (CGIL), Italian Confederation of Workers' Unions (CISL), and Italian Labour Union (UIL): Yes. In Italy, SMEs constitute an important part of the production system. From the point of view of employment, in 1994 SMEs created 200,000 jobs, while medium-sized and large enterprises destroyed 125,000 jobs. Hence an international instrument to promote employment in SMEs is imperative.

Japan. Japanese Trade Union Confederation (JTUC-RENGO): Yes. There is a need to establish basic labour rights and fairness in working conditions, and therefore a Convention supplemented by a Recommendation should be adopted.

NIKKEIREN: Yes. Job creation resulting from the creation of new enterprises and industries through the flexible activities of SMEs is significant. At the same time, such job creation may also help absorb and alleviate the harmful effects on the employment situation caused by the restructuring of existing industries. It would be appropriate for the Conference to adopt an international instrument to emphasize the significance of job creation and stimulate it in SMEs.

Kyrgyzstan. Yes. The State should support entrepreneurs and private companies in their efforts to improve their organizations.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Mexico. Yes. An international instrument should be adopted to stimulate job creation in SMEs because, as Report V states, SMEs contribute to the growth of the economy as well as help absorb labour. In Mexico, this absorption accounts for more than 50 per cent of the economically active population.

Netherlands. Yes. What matters most in promoting employment within the SME is not the relationship between employers and employees, but the effectiveness of the policy of governments and the social partners, including their regulations. A Recommendation which contributes to the effectiveness of that policy as regards the development of employment within SMEs can be considered useful in this respect. This applies in particular to countries where this policy has not yet been (sufficiently) developed. The Recommendation can underscore the importance of such policy and list its possibilities. The Recommendation should be in line with the ILO practice; this means, among other things, that it should concentrate not only on the policy of governments but on that of the social partners. The Recommendation should take into consideration the differences between countries as far as their position and policies in regard to SMEs are concerned. This means that the instrument should be of a general nature, allowing for the specific features of each individual country to be respected. A treaty would provide little scope for this individual approach and would therefore be less suitable.

Federation of Netherlands Industry and Employers (VNO-NCW): No. A broad discussion on the stimulation of job creation in SMEs is important, but there is no need for any new ILO instruments

New Zealand. No. See general observations.

Pakistan. PNFTU: Similar reply to that of Israel — Histadrut.

Peru. Yes. SMEs are essential to productive development, efficiently mobilizing human and material resources and thus creating greater employment opportunities.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

Portugal. CCPP: The subject of SMEs as promoters of employment is one of great importance. It would be difficult to see how another ILO Convention could play a fundamental role in creating employment. However, a Recommendation could give flexibility to ILO standards and at the same time provide a framework for countries which pay less heed to ILO standards.

Senegal. CNTS: Similar reply to that of Israel — Histadrut.

Singapore. No. See general observations.

South Africa. BSA: Yes. Given the diversity of conditions prevailing in the member States of the ILO, the proposed instrument will only be able to provide a very broad framework.

Spain. Yes, given the importance of the issue.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Sweden. No. See general observations.

Switzerland. Central Union of Swiss Employers' Associations (UCAPS): Subject to the reservations expressed by the ASM and the FSP (below), the principle of an international instrument on this subject is accepted.

Swiss Machine Industry Employers' Association (ASM): The ASM, which represents a branch made up of many SMEs, has considerable reservations about the usefulness of an international instrument on this subject. The development of SMEs depends to a large extent on the economic, cultural, legal and regulatory framework of individual countries. An international instrument therefore runs the risk either of becoming a set of expressions lacking any meaning or a set of banalities, or an instrument that is inapplicable to the majority of SMEs.

Federation of Employers' Unions (FSP): Yes, with the following reservations: (1) the Conference should consider the instrument as constituting part of core ILO action; (2) the Conference should distinguish, where SMEs are concerned, between developed and developing countries and countries in transition; (3) the definition of SMEs should be such that the situation they represent is the same for groups of countries at similar levels of development (cf. Question 7.1); and (4) the action carried out in this area by the OECD and other international bodies should be taken into account.

USS: Similar reply to that of Israel — Histadrut.

Swiss Union of Arts and Crafts (USAM): The Union is not opposed to the adoption by the Conference of an international instrument but feels that it might constitute an additional twist in the legislative maze facing SMEs. It does not share the frequently expressed opinion that new rules can simplify existing ones, if at the same time it is not the will of the politicians to steer a clear path towards the abolition of administrative constraints. An international instrument should therefore encourage signatory States to minimize their regulatory framework, which is the only way to encourage entrepreneurs to put their projects into practice, and to limit themselves to a very general framework, in order to avoid the pitfalls of improper comparisons being made between developed countries and Third World countries, and between formal and informal sectors, that cannot both come under the "blanket" heading of SMEs.

United Kingdom. No. See also general observations.

Confederation of British Industry (CBI): No. SMEs have a fundamental role to play in creating new employment opportunities. But only a very small proportion of small businesses will grow significantly and will one day employ hundreds or thousands of people. It is through the creation of a healthy economy and conditions for growth that employment will be generated and maintained. Governments should therefore focus on creating the right conditions for SMEs to start and to grow, rather than on introducing market distortions aimed at individual policy objectives. An international instrument on job creation should therefore not be adopted.

United States. USCIB: No, but because of the importance of the issue of job creation in SMEs, a set of policy conclusions should be established. Forcing the dynamics of job creation in SMEs into a Convention, or even a Recommendation, could lead to a too rigid or formalistic policy prescription that could have the effect of stifling the very job creation that is being sought. If there must be an instrument, it should be only in the form of a Recommendation.

Uruguay. PIT-CNT: No. Also see general observations.

Venezuela. Yes, because the instrument would constitute a framework for action geared to maintaining standard criteria among the social partners in undertaking action and promoting job creation in SMEs.

Employers: No. But given the worldwide concern for job creation, the ILO should contribute solutions.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

Since the great majority of the replies were affirmative, *Point 1* of the Proposed Conclusions provides for the adoption of an instrument concerning the general conditions to stimulate job creation in SMEs.

Qu. 2 *If so, do you consider that the instrument should take the form of a Recommendation?*

Total number of replies: 62.

Affirmative: 60. Argentina, Australia, Austria, Bahrain, Barbados, Belarus, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cuba, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, France, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar, Niger, Netherlands, Norway, Oman, Philippines, Panama, Peru, Poland, Portugal, Qatar, Romania, Slovakia, Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela.

Negative: 2. Finland, Nicaragua.

Argentina. Yes, so as to leave member States a certain degree of flexibility in adapting standards to their own situation.

Barbados. Yes. The instrument should take the form of a Recommendation given the wide differences in the circumstances of the different countries.

Belgium. Yes. A Recommendation would be viewed positively. As it is the various Belgian parliaments (federal, regional and/or community) to which this text will be directed in the future, it would be appropriate for their respective executive branches to participate in the work of the 85th Session of the International Labour Conference.

Brazil. National Confederation of Transport (CNT): No. It should take the form of a Convention.

CNC: Yes, if a majority of States opt in favour of an international standard.

Central African Republic. Yes. The Conference could adopt a Convention later, when the matter has been properly studied.

Costa Rica. The instrument should be adapted to the needs of the different countries, as national conditions vary, particularly in the sphere of SMEs. The instrument should take the form of a Recommendation.

Cyprus. A Recommendation is the only instrument appropriate for the subject in question.

Cyprus Workers' Confederation (SEK): A Convention, supplemented by a Recommendation.

Czech Republic. Czech and Moravian Chamber of Trade Unions (CMK OS): No. A Convention should be adopted.

Denmark. Yes. See Question 1.

LO: Yes, but without excluding the possibility of a Convention.

Finland. See general observations.

Germany. See general observations.

BDA: Yes.

Ghana. TUC: Yes. See also Question 1.

Iraq. GFTU: Yes.

Israel. Histadrut: The ILO Governing Body discussion in March 1995 favoured a Recommendation in this area reflecting the arguments put forward in the ILO's background paper for its discussion, to the effect that a comprehensive set of guidelines was needed in this area, that the ILO needed a reference standard for its technical cooperation activities, and that a Recommendation was more appropriate in this area as it was more flexible than a Convention. In the light of these arguments, if there is to be an instrument, its most appropriate form would be a Recommendation.

Japan. Yes. In view of the fact that this instrument has not been confined to labour problems but has a broad range of general social and economic problems in its perspective, it is appropriate that it should take the form of a Recommendation with flexible guidelines allowing account to be taken of the actual situation of each member State.

JTUC-RENGO: There is a need to establish basic labour rights and fairness in working conditions, and therefore a Convention supplemented by Recommendations should be adopted.

Lebanon. The instrument should take the form of a Recommendation, with flexible provisions so that each State is free to take the measures that it considers appropriate in accordance with its laws and economic and social situation, to stimulate job creation in SMEs.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Malta. Yes. A Convention is not the right type of instrument considering the flexibility required for dealing with SMEs in different national contexts.

Mauritius. A Recommendation will be more widely accepted because of its flexibility and its "guiding" character.

Mexico. Yes. Since this is a subject of special importance, the instrument should take the form of a Recommendation, which implies promotional action and the provision of guidelines. Its content should be positive and accessible so that it can cover the wide variety of socio-economic conditions in the different countries and the particular circumstances affecting enterprises.

Netherlands. Yes. See Question 1.

VNO-NCW: No. A Convention is by definition not flexible enough and will therefore harm the policy of government and social partners. It is difficult to see the advantages of a Recommendation for, e.g. the EU countries, United States, South-East Asia, Australia, New Zealand. Canada, etc. The ILO should confine itself to a policy document.

Nicaragua. The instrument should take the form of a Convention.

Niger. USTN: A Recommendation would be more flexible and appropriate.

Pakistan. PNFTU: Yes.

Peru. Yes. A Recommendation would be more adaptable, and could take into account factors such as activity, location, size, enterprise risks and possible links between enterprises.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

Portugal. CCP: Yes. See Question 1.

Qatar. Yes. The instrument should take the form of a Recommendation which treats the subject comprehensively so as to serve as a practical guide for States.

Senegal. CNTS: Yes. A Recommendation would be more appropriate, due to its greater flexibility in comparison with a Convention and following on from the discussion held in March 1995 in the Governing Body of the ILO.

South Africa. BSA: Yes. If any international instrument is contemplated, it should take the form of a Recommendation.

Spain. A Recommendation would be more appropriate because it would have the necessary scope and flexibility.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Sweden. See general observations.

LO: No.

Switzerland. Since instruments already exist relating to the question of employment and in the light of the general discussions already been held during previous sessions of the Conference, the instrument should take the form of a Recommendation. An instrument of this nature should identify all aspects of the problems facing new SMEs and should leave governments considerable room to identify the specific problems facing SMEs in their countries. The most appropriate course would therefore be to establish an instrument which simply defines the guidelines which governments could use to formulate an effective policy at the local level.

USS: Similar reply to that of Israel — Histadrut.

USAM: In view of the reply to Question 1, at most only a Recommendation should be established.

UCAPS: Yes. An instrument of this kind could take the form of a Recommendation, at the very most. This should simply provide the regulatory framework conducive to the development of SMEs and should not go into the sort of detail suggested in the questionnaire.

Turkey. Confederation of Turkish Trade Unions (TÜRK-IS): No.

United Kingdom. CBI: No. However, if there is to be an instrument, it should take the form of a Recommendation which gives general guidance and is sufficiently flexible to respond to this subject area. At this stage a general discussion is preferable which examines the role that SMEs have in job creation and which works towards establishing general guidelines.

United States. USCIB: Yes, provided that it is broad and with general guidelines, with account being taken of national economic differences.

Venezuela. Yes. This would provide flexibility.

Employers: An instrument is not required, but if it is agreed to adopt one, then it should take the form of a Recommendation.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

Since a large majority of replies proposed that the instrument should take the form of a Recommendation, *Point 2* of the Proposed Conclusions has been drafted accordingly.

II. Preamble

Qu. 3 *Should the instrument include a preamble which would make reference to a number of related existing instruments, such as:*

(a) the Employment Policy Convention, 1964 (No. 122), and the Employment Policy (Supplementary Provisions) Recommendation, 1984 (No. 169)?

(b) the Human Resources Development Convention, 1975 (No. 142), and the accompanying Recommendation (No. 150)?

(c) the Cooperatives (Developing Countries) Recommendation, 1966 (No. 127)?

(d) others? (If so, please specify.)

Total number of replies: 62.

Affirmative: 59. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile ((a)), China, Colombia ((a) and (b)), Costa Rica, Cuba, Cyprus, Czech Republic, Denmark, Egypt, Estonia, France, Germany, Hungary, Kuwait, Italy, Kenya, Kyrgyzstan, Japan, Jordan ((a) and (b)), Lebanon, Malta, Mauritius, Mexico, Netherlands, Nicaragua, Niger, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Slovakia, Sudan, Spain, Suriname, Switzerland, Thailand ((a)), Turkey, United States, Uruguay, Venezuela, Yemen ((a)).

Negative: 2. Bangladesh, New Zealand.

Other: 1. Belgium.

Bahamas. If a Convention is adopted, then yes.

Bahrain. Yes. All these references are useful.

Bangladesh. Neither of the two Conventions No. 122 and No. 142, along with their accompanying Recommendations, can be ratified by developing countries, especially those in the South Asia region, mainly due to financial constraints, incompatibility and their larger impact on socio-economic policies. Inclusion of these Conventions in the Preamble might create more complications.

Belarus. The Recommendation proposed in (c) is significantly limited in scope.

Belgium. The Ministry of the Middle Classes of Belgium cannot see what the practical consequences of mentioning these instruments would be. It simply notes that the instruments proposed as references hark back to a time when "full employment" was the goal to be reached within national economic structures made up mainly of large enterprises. Consequently, it should be ensured that the contents of these instruments are not at variance with either current forms of organization and allocation of work or with the sort of work being done in SMEs. (d) A reference to the resolution concerning the promotion of small and medium-sized enterprises, adopted on 23 June 1986 by the 72nd Session of the International Labour Conference, would appear to be appropriate.

CNT: Yes. Reference should be made to certain fundamental ILO standards, especially those dealing with child labour and freedom of association (as mentioned in the 1986 resolution).

Brazil. CNC: Not applicable. See Question 1.

National Confederation of Industry (CNI): Yes. (d) Reference should also be made to the Collective Bargaining Convention, 1981 (No 154).

Canada. (d) The resolution concerning the promotion of small and medium-sized enterprises adopted on 23 June 1986.

Chile. CONUPIA: Yes.

Colombia. CGTD: Yes. In Colombia the full employment specified in Convention No. 122 does not exist, and so workers do not have freedom of choice of employment. Freedom of association and the right to collective bargaining are not respected by SMEs. In Colombia it has been the custom for large enterprises to subdivide into small and medium-sized ones, as this brings with it economic benefits and is a way of preventing the establishment of trade unions, is in clear violation of Conventions Nos. 87, 98 and 135 and their respective Recommendations. (a) Yes, although small and medium-sized enterprises can hardly be said to promote full employment; on the contrary, they are a means for the large monopolies to ridicule full employment. More than 80 per cent of SME workers in Colombia are employed under fixed-term contracts, or on a subcontractual or home-work basis, which signifies permanent job instability.

Costa Rica. Yes. Reference is necessary to instruments that have proved to be successful and that stand as a form of reference and comparison for instruments developed and applied in the various countries in the sector of micro, small and medium-sized enterprises.

Cuba. Yes.

Denmark. DA: (a) and (b) Yes.

Federation of Danish Trade Unions (LO): Yes. Reference should also be made to ILO Conventions respecting freedom of association, collective bargaining, discrimination and child labour.

Danish Confederation of Professional Associations (AC): (a) and (b) Yes. (c) No.

Estonia. Yes. Reference should also be made to Convention No. 150.

Finland. See general observations.

France. (d) The conclusions adopted by the Conference in 1996 on employment policies in a global context, in particular the paragraph relating to employment development through SMEs.

CFDT: Yes. It should refer to all relevant ILO instruments including the resolution concerning the promotion of small and medium-sized enterprises of 1986, the documents relating to freedom of association and the prohibition of child labour, and ILO standards concerning non-discrimination and equality, given the high number of women employed in SMEs.

Germany. Germany has not ratified all the Conventions mentioned, but a reference to them is not considered harmful.

Ghana. TUC: Yes. The new instrument should also make reference to ILO instruments relating to freedom of association, the prohibition of child labour and ILO standards covering non-discrimination and equality.

Iraq. GFTU: (a) and (b) Yes. (c) No.

Israel. Histadrut: Any new instrument should make reference to all related existing ILO instruments. These would certainly include the ILO Conventions and Recommendations referred to in the questionnaire. In addition, as recommended in paragraph 16(iv) of the resolution concerning the promotion of small and medium-sized enterprises adopted by the Conference in 1986, the new instrument should refer to ILO standards dealing with child labour and freedom of association, since in many developing countries child labour is very common in this sector. The instrument should also refer to ILO standards on non-discrimination and equality, because of the large number of women employed in SMEs.

Italy. (d) The instrument should also mention current and future instruments that, although they may not be listed individually, may prove to be beneficial for workers in SMEs.

Japan. NIKKEIREN: Yes.

Jordan. Federation of Jordanian Chamber of Commerce (FJCC): Yes.

Amman Chamber of Industry: No, but reference could be made to existing instruments in the context of the Recommendation.

General Federation of Jordanian Trade Unions: (a) Yes.

Kuwait. Yes.

Lebanon. Yes. This would be useful, taking into account the exceptions and exclusions permitted by these instruments and decided by each State according to its laws, conditions and needs. The Preamble could also refer to the Asbestos Recommendation, 1986 (No. 172) in order to ensure a minimum level of occupational safety and health requirements in such enterprises as provided for in this Recommendation.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Malaysia. Malaysian Labour Organization (MLO): Yes.

Mauritius. Yes. (d) The resolution concerning the promotion of small and medium-sized enterprises adopted at the 72nd Session of the International Labour Conference in 1986.

Netherlands. Yes. Since the Recommendation is geared to general policy, a reference to the Conventions and Recommendations mentioned can be considered useful.

New Zealand. No. New Zealand does not believe that either a Convention or Recommendation is appropriate.

Niger. USTN: Yes. Reference should also be made to the instruments concerning freedom of association (Convention No. 87), the right to organize and collective bargaining (Convention No. 98), the prohibition of child labour, non-discrimination and equality of opportunity for women.

Pakistan. PNFTU: Similar reply to that of Israel — Histadrut.

Peru. Autonomous Confederation of Workers of Peru (CATP): Yes. Reference should also be made to prevailing legislation in each member State.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

Senegal. CNTS: Yes. The Recommendation would necessarily include a Preamble making reference not only to Conventions Nos. 122 and 142 and to Recommendations Nos. 169, 150 and 127, but also to the Conventions and Recommendations on freedom of association (No. 87), the prohibition of child labour, and ILO standards relating to non-discrimination and equality.

Slovakia. Yes. (d) The Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) and Recommendation (No. 176).

South Africa. BSA: Yes. It is generally advisable for any policy to be contextualized and set within a broader framework.

Spain. In principle, yes, especially Recommendation No. 169, because of its broad scope and the range of questions covered. The Employment Promotion and Protection against Unemployment Convention, 1988 (No. 168) and Recommendation (No. 176) also deal with related issues.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Switzerland. USS: Similar reply to that of Israel — Histadrut.

USAM: (a) No. This Convention has not been ratified by Switzerland. (b) Yes. (c) No, to avoid giving the impression of limiting the discussion to cooperatives.

UCAPS: (a) No. This Convention has not been ratified by Switzerland. (b) Yes. This Convention has been ratified by Switzerland. (c) No. It is not advisable to demonstrate greater interest in this type of organization than in other types of enterprises.

Syrian Arab Republic. Nothing to add, since reference is made here to some Conventions and Recommendations not ratified by the Syrian Arab Republic.

Turkey. TÜRK-IS: (a) Yes.

TISK: (a) and (b) Yes. (c) No.

United Kingdom. CBI: No. These would not be relevant in general guidelines.

United States. USCIB: No. The emergence of the global marketplace, the advent of rapid technological change, and the information age have changed the basis for job creation worldwide. Reference to existing ILO instruments simply perpetuates an outdated view of what is required to facilitate job creation by both large firms and SMEs.

Venezuela. The Preamble should refer to all of the provisions previously adopted by the ILO in order to highlight the importance of this subject and prevent the instrument from running counter to the provisions in force.

Employers: Yes. There should also be reference to instruments on multinational companies.

General Confederation of Workers (CGT): Yes. There should also be reference to other existing instruments.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

Replies indicated strong support for the inclusion of a preamble to the Recommendation which would make reference to a range of existing instruments relevant to general conditions to stimulate job creation in SMEs. Subparagraphs (a) to (c) received strong support, and a number of replies suggested the inclusion of references to the following additional instruments:

— the Right to Organise and Collective Bargaining Convention, 1949 (No. 98);

— the Minimum Age Convention 1973, (No. 138);

— the Discrimination (Employment and Occupation) Convention, 1958 (No. 111);

— resolution concerning the promotion of small and medium-sized enterprises adopted by the International Labour Conference in 1986.

The Office considers these suggestions appropriate and *Point 3* of the Proposed Conclusions has been drafted accordingly.

III. Purpose, scope and definition

Qu. 4 *Should the instrument recognize that SMEs have a fundamental role to play in:*
(a) the promotion of full, productive and freely chosen employment?
(b) greater access to income-earning opportunities?
(c) economic growth and the ability to react flexibly to changes?
(d) increased domestic savings and investments?
(e) other areas? (Please elaborate.)

Total number of replies: 65.

Affirmative: 62. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belarus, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile ((c)), China, Colombia ((a) and (c)), Costa Rica, Czech Republic, Denmark ((a) to (c) Yes) ((d) No), Dominica, Egypt, Estonia, France, Germany, Hungary, Italy, Japan, Jordan ((a) and (b)), Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar ((b) and (d) Yes) ((a) and (c) No), Netherlands ((a) to (c)), Nicaragua, Niger ((b)), Norway, Philippines ((a) to (c)), Oman, Panama, Peru, Poland, Portugal, Qatar ((b) and (d)), Romania ((a), (c) and (d)), Slovakia ((a) and (c)), Spain, Sudan, Suriname, Switzerland ((a) to (c)), Syrian Arab Republic, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen ((a) to (c)).

Negative: 1. Bangladesh.

Others: 2. Belgium, New Zealand.

Australia. Yes. (e) Reference could also be made to the increasingly important role that SMEs are playing in economic structural adjustment, value added, export generation and R and D expenditure.

ACCI: Yes. (e) The creation and extension of export markets.

Austria. Yes. (a), (b) and (c) in particular should be emphasized.

Bahamas. Yes to all provisions.

Bahrain: (e) Expansion of the labour base.

Bangladesh. SMEs have a fundamental role to play in the creation of employment, income earning opportunities, economic growth, increased domestic savings and investment, but there is no need to adopt an international instrument since these issues are already covered by the

Government's own economic and social policies, including industrial policy, labour policy, investment policy and fiscal policy which are periodically reviewed and updated in the context of national conditions and socio-economic development.

Barbados. Social development should also be considered because adequate employment opportunities in a country will lead to greater social stability.

Belgium. The wording of this question could imply that economic and social objectives are being allocated to SMEs, while it is first necessary to recognize in them an intrinsic specificity which can be seen in a variety of aspects (entrepreneurial spirit, the entrepreneur's personal fulfilment, adaptability to market indicators, higher intensity of jobs than of capital, etc.). (e) The acquiring and promoting of the entrepreneurial spirit and the social structuring of a middle class; a positive contribution to social conditions, through the availability of local jobs.

CNT: The instrument should recognize that SMEs have a fundamental role to play in the observance of international labour standards and the creation of neighbourhood jobs.

Brazil. Yes. (e) The contribution of SMEs to development and employment in the poorest and most marginalized regions or those which are less attractive to the most advanced enterprises; the pioneering role of SMEs in the integration into the national economy of production activities and new contingents of human resources; and SMEs as embryonic forms of larger enterprises and as a means of enabling the workforce to gain access to more skilled occupations.

CNT: Yes. (e) Exports from developed and developing countries. In the specific case of developing countries and countries in the process of economic adjustment, the participation of SMEs in foreign trade is essential for balance of payments purposes. (2) The organization of production, given the demand for simpler goods and services with a low value added amongst the low-income sectors of the population. In Brazil, enterprises have discovered the advantages of producing for the low-income population. In the agricultural sector of many developing countries, particularly in small municipalities where more restricted markets are possible, the scale of production is more adapted to such markets. Furthermore, SMEs can use local raw materials. (3) Interpersonal relations are facilitated by the simplicity and size of the organizational structure of SMEs.

Bulgaria. (e) Export promotion, stimulating research and technological activities, and assisting economic development at the regional and local levels.

Burundi. (e) Increased incomes and higher standards of living.

Canada. (a) Yes, but it is suggested that the words "freely chosen" be deleted, since they may be superfluous, because the employment may be chosen out of economic necessity.

CEC: No. Since employers oppose both a Convention and Recommendation, support should be given by governments for the role of SMEs in job creation and access to income-earning opportunities by relieving these firms of unnecessary burdens. It is easy for some firms to replace jobs with technology. Governments should not inadvertently be supporting this trend.

Central African Republic. (e) Integration of the informal sector into the formal sector.

Chad. Trade Union Confederation of Chad (CST): Yes to all provisions except (d).

Chile. CONUPIA: Yes. (e) SMEs also have a fundamental role to play in education, in the training of unskilled workers, and in the adaptation and development of technologies.

China. (e) Making life easier.

Colombia. ACOPI: (a), (b) and (d) No. (c) Yes.

CGTD: (a) Yes, with reference to the views on full employment in SMEs under Question 3. (c) Yes, although SMEs in Colombia are not in a position to "react flexibly to changes" because policies in this area are imposed by the large monopolies.

Cyprus. Pancyprian Federation of Labour (PEO): Yes to all provisions.

Czech Republic. Yes to all provisions. (e) Improving possibilities of disabled persons to earn money.

Denmark. (b) and (c) in accordance with Danish policy.

AC: (a), (b) and (c) Yes. (d) No.

LO: Yes. Reference should also be made to innovative entrepreneurs and special "niche" areas.

Confederation of Danish Employers (DA): (a), (b) and (c) Yes.

Egypt. Yes. Regarding (c), the words "and social" should be inserted after "economic". The instrument should also recognize that SMEs have a fundamental role to play in human resource development through the provision and extension of training opportunities and career development. A further clause should be inserted as follows: "the participation of SMEs in physical development, creation and development of new communities away from overpopulated areas".

Egyptian Federation of Trade Unions (EFTU): Yes. (e) Ensuring the stability of the state labour market through which the basic and complementary needs of citizens should be met.

Estonia. Yes to all provisions, including job creation.

Estonian Association of Trade Unions (EATU): SME output and production can better adapt to the demands of markets and need less capital than big enterprises for achieving satisfactory results.

Finland. SMEs are of great importance to employment policy. They are on average more labour-intensive than other enterprises and therefore help to reduce unemployment. SMEs are found in areas where there are good business opportunities, and thus they support economic growth. SMEs are often also very innovative and strengthen the structure of industries, thus contributing to the competitiveness of business life and the whole national economy. They also have an important role in securing balanced regional development. However, the SME sector is dependent on the structure and stage of development of each country, and one part of the business sector should not be overemphasized in relation to others. In view of the internationalization of trade and home markets, small, medium-sized and large enterprises often form a closely linked operational and production chain. Irrespective of the size of business they form together a basis for the growth and development of employment. The aim should be equal treatment regardless of the size, branch or legal form of the enterprise.

France. (d) Yes, however their role here should be understood in the sense of developing savings in enterprises (self-financing).

CFDT: Yes. The fundamental role of SMEs should also be emphasized in order to achieve better working conditions, quality employment, better access to social protection and a higher level of worker representation, in particular through a more extensive application of the right to freedom of association.

Germany. (a) and (b) Yes. Most new jobs are created in new as well as SMEs. The large majority of workers in Germany are employed by SMEs. (c), (d) Yes.

DGB: Yes to all provisions. (e) Development of training and retraining, and promotion of innovation and regional economic development.

BDA: (a) and (b) The instrument should clearly state that only a large number of SMEs can guarantee a wide range of employers and trainers. SMEs thus contribute significantly to occupational freedom of choice. (c) The instrument should underline the importance of SMEs as innovating forces. Decentralized structures allow for flexibility. (d) The instrument should not contain specific requirements concerning savings and investments, but recommend that States design their economic and financial policies in such a way that a sufficient number of SMEs are able to generate an adequate amount of profits. These profits are a precondition for SME savings and investments.

Ghana. TUC: Yes to all provisions. (e) In view of the economic importance of SMEs and the fact that they employ the majority of the world's labour force, the instrument should recognize their fundamental role in achieving better working conditions, higher quality of employment, improved access to social protection and a higher level of workers' representation.

Hungary. Mention should also be made of the fact that an increasing role by SMEs in job creation might contribute to the promotion of women's economic independence and equality of opportunity between men and women.

Israel. Histadrut: Yes to all provisions. Similar observations to those made in the reply of Ghana — GTUC.

Italy. CIGL, CISL, UIL: The instrument should recognize that SMEs have a role to play in promotion, creation, innovation and employment. The new instrument should incorporate ILO standards relating to trade union rights and freedoms, the prohibition of child labour and the prohibition of discrimination in occupation.

CONFINDUSTRIA: Yes. Mention should also be made of export development and collaboration in the creation of joint ventures.

Japan. NIKKEIREN: Yes. However, as far as the question of "full employment" referred to in (a) is concerned, the point is that job creation and promotion in SMEs help full employment as a result, rather than SMEs playing a fundamental role in full employment. (e) As regards to (c), "Sustained economic growth and development through continuous creation of new enterprises and industries."

Jordan. FJCC: Yes.

Amman Chamber of Commerce: Yes. Reference should also be made to the fact that SMEs provide services and productive potential and materials for existing industries.

GFJTU: Yes.

Kenya. (a) Yes, especially in developing countries.

Kyrgyzstan. In regard to (a) and (b), SMEs give a vast number of people the opportunity to receive vital incomes and provide high numbers of persons with jobs; and for various population groups such as women workers and low-income categories of workers, economic equality with other higher-income groups is facilitated. In regard to (c), SMEs can rapidly satisfy an increased demand for goods, quickly reshuffle their production, and carry out certain structural reforms of the economy. As regards (d), SMEs can boost domestic savings and investment provided that a system of reduced taxes is in place during an initial period (up to five years).

Lebanon. The instrument should also refer to the role that SMEs play in the development of local communities, the stabilization of local employment, and enabling low-income groups, including women, to gain economic self-reliance.

Lithuania. LDS: Yes to all provisions. Similar observations to those contained in the reply of Ghana — GTUC.

Mexico. Yes. This requires stimulating inter-enterprise cooperation and strengthening government programmes of support for SMEs, with a view to improving the conditions regulating their acquisition and the development of infrastructure, technology and human and financial resources. This would allow SMEs to increase their production efficiency, gain access to internal and external markets and contribute to economic growth.

Netherlands. The Recommendation can establish that the SMEs have a fundamental role in the fields mentioned, with the exception of those mentioned under (d) (domestic savings ratio and investments). It is impossible to give a precise and detailed definition of this role; what matters is that the conditions are established under which the SMEs can fulfil this role.

New Zealand. New Zealand agrees that SMEs have a fundamental role to play in job creation. In New Zealand's experience the key to job creation is the establishment of a supportive economic environment for all enterprises, including small businesses. Stable macroeconomic policies and micro-economic reforms are the primary elements in creating an environment in which all firms can operate, without uncertainties and unnecessary impediments to firm development.

Niger. USTN: Yes. In addition, the instrument should recognize that SMEs have a fundamental role to play in providing better working conditions, a better quality of employment, access to social protection, and compliance with the provisions of Conventions Nos. 87 and 98.

Employers' Union of Enterprises and Industries of Niger (SPEIN): Yes to all provisions.

Oman. The instrument or instruments should stipulate that their provisions should be applied by means of laws and regulations.

Pakistan. PNFTU: Yes to all provisions. (e) Better working conditions, higher quality employment, improved access to social protection, and a higher level of worker representation through fuller application of the right to freedom of association.

Peru. Yes. (e) The promotion of exports resulting in an increase in foreign exchange.

CATP: Yes. (e) Social advancement in depressed areas.

Philippines. Mention should also be made of the role of SMEs in promoting the equitable distribution of the fruits of economic growth, and the development of entrepreneurial skills.

Poland. Solidarnosc: Yes to all provisions. (e) Similar observations to those made in the reply of Ghana — GTUC.

Portugal. CCP: Yes. SMEs can also facilitate adaptation to new technologies and the globalization of the economy.

Qatar: (a) Yes. The text reflects an objective rather than a possible reality. The reference should be limited to the increase of job opportunities and production. (c) The words "the ability to react flexibly to changes" has many dimensions and is rather general; the phrase should be reworded in order to clarify the meaning of "flexibly" and "changes".

Iraq. GFTU: (a) and (b) Yes. (c) and (d) No.

Senegal. CNTS: Yes. The Recommendation should recognize that SMEs have a fundamental role to play in questions (a) to (d); as regards (e) — the establishment of better working conditions

— a higher level of worker representation through the more complete application of the right to freedom of association.

Slovakia. The instrument should recognize that SMEs contribute to employment promotion and productive and voluntarily chosen work, which facilitates economic growth.

South Africa. BSA: (d) This is an indirect role of SMEs rather than an area in which they can play a fundamental role. A number of other factors are more fundamental in this regard. (e) Innovation, and hence diversification, and increased social stability, particularly in rural areas.

Sri Lanka. CWC: Yes to all provisions. (e) Similar observations to those made in the reply of Ghana — GTUC.

Suriname. The instrument should also recognize that SMEs have a fundamental role to play in supporting quality improvement and in exporting.

Sweden. Swedish Trade Union Confederation (LO): No. SMEs do not have any special status in these respects.

Switzerland. Given the structure of the Swiss economy, it is important to recognize the role of SMEs in the promotion of productive and freely chosen employment (without referring to full employment). Clauses (b) and (c) are also possibilities.

USS: Yes to all provisions. (e) Similar observations to those made in the reply of Ghana — GTUC.

USAM: The basic role of SMEs in the various aspects mentioned should be recognized, but clause (a) is dangerous in that it could be wrongly interpreted. The ultimate aim of SMEs is not to promote employment but to create wealth, manufacture goods and provide services for which there is demand. It is only if this requirement is fulfilled, i.e. if SMEs find outlets for their products, that they can promote full, productive and freely chosen employment.

VSA: Yes to all provisions. The role of SMEs should be formulated in less absolute terms. The instrument should recognize that SMEs can play an important role alongside other forms of enterprises.

UCAPS: Yes to all provisions.

Syrian Arab Republic. Yes. In addition, the instrument should recognize that SMEs have a fundamental role to play in contributing to social stability.

Turkey. The instrument should recognize that SMEs have fundamental roles to play in those areas indicated in (a), (b), (c) and (d), without this leading to the over-regulation in the related labour legislation of the country concerned. Some other areas that may be covered by the instrument may include: promotion of side industries and development of the informal sector.

TÜRK-IS: (a) Yes.

TISK: Yes. (e) Promotion of subsidiary industries, formalization of the informal sector, creation of new job areas, and promotion of entrepreneurship.

United Kingdom. CBI: No. See Question 1.

Uruguay. Employers: The words "have a fundamental role to play" should be replaced by the words "collaborate with". Yes as regards (a), (c) and (d). Regarding (b), replace the words "access to income earning opportunities" by "access to paid activities". (e) Preparation of qualified manpower which will then be used in large scale enterprises.

Venezuela. In addition, SMEs have a fundamental role to play in the creation of agricultural cooperatives as this would strengthen the agricultural food industry sector — which is economically vital and of strategic importance to the country. The State should facilitate financing.

Employers: Yes to (a) and (b). Regarding (c) and (d), these could be the logical consequence if the objectives outlined in (a) and (b) specifically refer to "productive employment". In addition, SMEs have a fundamental role to play in regard to labour relations with workers and their representative organizations, making them aware of the importance of a climate of labour relations which would stimulate productive employment.

CGT: Yes. (e) Training, updating and the adaptation of technology, and increasing competitiveness.

Zaire. CDT: Yes to all provisions. (e) Similar observation to that made in the reply of Ghana — GTUC.

Replies were strongly affirmative to all subparagraphs, particularly (a) to (c). A number of comments suggest additional areas which should be mentioned, some of the more commonly mentioned ones being: training and development of human resources; balanced regional and local development; provision of goods and services which are better adapted to local market needs; the possibility of access to improved working conditions, quality of work and social protection for large numbers of people; stimulating innovation, technology development and research; and accessing domestic and international markets.

The Office considers these suggestions reasonable and *Point 5* of the Proposed Conclusions has been drafted accordingly.

Qu. 5 *Should the instrument address:*
(a) the policy and legal framework as well as the support structures, programmes and other initiatives which can facilitate the development and growth of SMEs?

Total number of replies: 58.

Affirmative. 51. Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Czech Republic, Estonia, France, Germany, Hungary, Italy, Japan, Kenya, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, Nicaragua, Niger, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Spain, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Yemen.

Negative: 5. Belarus, Denmark, Egypt, Kuwait, Sudan.

Other: 2. Finland, New Zealand.

Argentina. Yes. Argentina's policy in favour of SMEs takes the form of tripartite agreements and legislation, for example, the Framework Agreement on Employment, Productivity and Social Equity and Act No. 24, 467, known as the SME Statute, which is an important step forward in that the State recognizes the key role of SMEs.

Australia. Yes, but there may be considerable difficulty in relating the instrument to the policy and legal framework and support structures, programmes and other initiatives which facilitate the development and growth of SMEs. This difficulty arises from the high degree of diversity of the various policy frameworks and the support programmes pertinent to SMEs.

ACCI: Yes. The instrument should also address the policies and legal framework which would be appropriate as a basis for the achievement of these objectives.

Belarus. Since a variety of structures, programmes and initiatives can facilitate the development and growth of SMEs, any listing of them would probably be incomplete and useless.

Belgium. Yes. An "institutional" framework could also be spoken of, since some state bodies dealing with social dialogue and administrative units make a distinction between SMEs and other enterprises.

Canada. Yes. This is a key role for governments. However, it should allow for a variety of policy and legal frameworks appropriate for different countries and regions.

CEC: No.

Czech Republic. Yes. But in view of the great variety of national conditions a more general wording would be appropriate.

Denmark. No. These matters should be regulated at the national level.

LO: Yes.

AC: Yes.

Egypt. To develop the support structure, programmes and other initiatives which can facilitate the development of SMEs, the appropriate policy and legal framework should be left to member States.

EFTU: Yes.

Finland. In principle, regardless of the size of business, legislation and support structures should basically be the same for all enterprises. However, initial support for small enterprises ought not to be thought of as being against this principle.

France. CFDT: Yes, this Point is important.

Germany. BDA: The instrument should clearly stress the responsibility borne by governments for the protection of private property, contractual freedom, competition and the legal system. See also Question 1.

Ghana. TUC: Yes. In our opinion the instrument should address all the qualitative aspects of employment and the policy and legal framework and support services.

Iraq. GCTU: Yes.

Israel. Histadrut: Yes.

Italy. As far as possible.

Japan. NIKKEIREN: Yes. However, careful consideration should be given to the diversity of actual situations of society, economy and employment affecting SMEs in different countries.

Jordan. FJCC: Yes.

GFJTU: Yes.

Kyrgyzstan. Yes, the instrument should address the policy and legal framework; the policy for SMEs should meet the basic concerns and interests of workers.

Lebanon. Yes. The detailed definition of the framework concerned should be left to each State, according to its laws and policies based on its own economic and social considerations.

Lithuania. LDS: Yes.

Netherlands. Yes. The Recommendation should be geared to all forms and policy, and it should relate to both the quantitative and the qualitative aspects of employment within SMEs.

New Zealand. The same employment rights and obligations should in general apply to all groups of workers. Special legislation or rules should not in general be adopted for particular groups or sectors. Any policy should rather be directed towards removing any barriers which disadvantage any particular group of workers and ensuring that all workers are given equal opportunities to remedy any grievance.

Niger. SPEIN: Yes, to prevent them from falling into the informal sector.

Pakistan. PNFTU: Yes.

Poland. Solidarnosc: Yes.

Senegal. CNTS: Yes, to facilitate the development of SMEs and to promote their efficiency and competitiveness.

Spain. Yes.

Sri Lanka. CWC: Yes.

Sudan. No. This should be left to each State according to its particular conditions.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. (a) Yes. The instrument should primarily address structures conducive to the creation of new SMEs and to ensuring their survival when they are first established.

USAM: (a) This would be desirable unless, and here the risk is not an imaginary one, these initiatives were to result in an interventionist policy, which would not prove at all beneficial for SMEs. Serious attention must therefore be paid to how the policy encouraged here would be implemented.

Turkey. Yes, the instrument should address the areas mentioned in the question, and should at the same time take into consideration differences in current national legislation in related areas.

United Kingdom. CBI: No. See Question 1.

United States. USCIB: The Recommendation should address only the policy and legal framework to facilitate the development of SMEs and jobs, rather than other programmes and initiatives.

Venezuela. Employers: Yes, but these should be reduced to a minimum for the setting up of SMEs.

Zaire. CDT: Yes.

(b) quantitative as well as the qualitative aspects (terms and conditions of employment, working conditions, social protection, etc.) of employment in SMEs?

Total number of replies: 57.

Affirmative: 46. Argentina, Austria, Bahamas, Bahrain, Barbados, Belgium, Brazil, Burundi, Cambodia, Canada, Central African Republic, Chad, Colombia, Costa Rica, Cyprus, Czech Republic, Dominica, Egypt, Estonia, France, Germany, Hungary, Italy, Japan, Jordan, Kenya, Kyrgyzstan, Lebanon, Malaysia, Mauritius, Mexico, Netherlands, Nicaragua, Norway, Panama, Peru, Philippines, Portugal, Qatar, Romania, Spain, Suriname, Thailand, Turkey, United States, Uruguay.

Negative: 8. Australia, Bulgaria, Denmark, Kuwait, Malta, New Zealand, Oman, Poland.

Other. 3. Finland, Switzerland, Venezuela.

Australia. No. These aspects are sufficiently covered by other ILO instruments.

ACCI: No. Quantitative areas such as those mentioned here are inappropriate for inclusion in an instrument designed to encourage and foster employment. Protection of terms and conditions of employment, working conditions, social protection and the like, are more than adequately addressed in other ILO instruments.

Austria. Essentially yes. However, in areas where far-reaching ILO Conventions already exist new detailed regulations should not be envisaged.

Belgium. Yes, if the SMEs are fairly represented in the social dialogue when these issues are being examined at the national level.

Brazil. CNI: No.

Canada. CEC: No. Governments should not encumber economic growth and development that have potential for job creation by singling out SMEs as an area for special and focused policy and legal framework as well as support structures. When defining policies in this area, governments should: (1) remove themselves from the market and let it function freely rather than seek to influence or distort it; (2) restrict their own activities to filling gaps not currently served by the private sector and only do so on a temporary basis until the private sector can take over; (3) redesign the taxation system as a vehicle for economic development rather than a means of generating revenue; and (4) focus on helping SMEs to access the information intelligence that they require.

Chile. CONUPIA: Yes.

Czech Republic. Yes. In view of the great variety of national conditions a more general wording would be suitable.

Denmark. No. These matters should be regulated at national level.

LO: Yes.

AC: Yes.

Finland. Regardless of the size of an enterprise in which an employee is working, such circumstances (terms and conditions of employment, working conditions, social protection) should be the same in all enterprises.

France. CFDT: Yes, this Point is important.

Germany. Employees of SMEs should in principle be subject to the same labour law provisions as the rest of the economy; however, national legislators should be able to take specific characteristics of industries or forms of enterprises into account.

BDA: The instrument should not set stricter rules for SMEs than for larger enterprises. In addition, attention should be drawn to suggestions that certain existing protection measures impede job creation in SMEs (regulations concerning works councils, worker codetermination, etc.).

Ghana. TUC: Yes.

Hungary. Employers: No.

Iraq. GFTU: Yes.

Israel. Histadrut: Yes. Any instrument should address all the qualitative aspects of employment in SMEs referred to in 5(b). As the ILO background report states (page 3 of the English text), "Good working conditions, security and fairness cannot be treated as separate from, or additional to, small and medium-sized enterprise development but should rather be an integral part of a wider strategy to promote efficient and competitive small and medium-sized enterprises." Any instrument should further contain reference to the policy and legal framework and support services, etc. to facilitate the promotion of SMEs, noted in 5(a).

Italy. CGIL, UIL, CISL. Yes. It should stimulate entrepreneurship and provide SMEs with services that facilitate access to information, new technology and innovations, and offer them the opportunity to increase their managerial capacities and staff training. This is the best way of remaining internationally competitive.

CONFINDUSTRIA: Yes.

Japan. NIKKEIREN: Yes. However, careful consideration should be given to the diversity of actual situations of society, economy and employment affecting SMEs in each country.

Jordan. Amman Chamber of Industry: The enterprise owner and his workers should be covered by the social security system; workers should be covered by labour legislation.

FJCC: Yes.

GFJTU: Yes.

Kuwait. In respect of both Questions 5(a) and 5(b) it would be preferable to leave all the details proposed to the discretion of each State, according to its economic conditions and the importance of SMEs in that country.

Kyrgyzstan. It is of vital importance that international labour standards be complied with, that more attention be given to issues of social security, and that efforts be made to secure and improve the safety and health of workers and their working conditions.

Latvia. The instrument should address, irrespective of the form of entrepreneurship: employment, labour safety, labour remuneration and social security.

Lebanon. Yes, the instrument may refer to terms and conditions of employment, working conditions and social protection in SMEs, according to the provisions of the laws in force, i.e. to the extent that these enterprises are subject to the provisions of the labour and social security laws in each State. It may be necessary, in some cases, to make special arrangements for SMEs in these areas, based on such considerations as the number of workers, the income of the enterprise, the capital invested or other factors.

Lithuania. LDS: Yes. Similar comments to those made in the reply of Israel — Histadrut.

Netherlands. Yes. The Recommendation should be geared to all forms of policy, and it should relate to both the quantitative and the qualitative aspects of employment in the SME.

VNO-NCW: No. Reluctant to include the qualitative aspects in the discussion on job stimulation, which could lead to a repetition of the fruitless discussion on, for instance, the European social model.

New Zealand. An instrument which contains provisions addressing the issues outlined in (a) and (b) should not be too prescriptive, in order to avoid inflexible limitations on the ways in which associated obligations can be met.

Niger. USTN: Yes.

SPEIN: Yes.

Pakistan. PNFTU: Yes. Similar comments to those made in the reply of Israel — Histadrut.

Peru. Yes. This Point should be particularly emphasized as it is extremely important to focus on working conditions and social protection and to endeavour to make them as good as possible. It should also be recalled that at present there are considerable differences between countries in these areas.

Poland. All Poland Trade Union Alliance: Reference should only be made to the qualitative aspects (terms and conditions of employment, working conditions, social protection, etc.) of employment in SMEs.

Solidarnosc: Yes. Similar comments to those made in the reply of Israel — Histadrut.

Portugal. CCP: No. This subject is already covered in other instruments, Conventions and Recommendations, and its inclusion here would be of no practical effect.

Qatar. Yes, taking into account the differences of conditions between countries and the specific nature of SMEs.

Senegal. CNTS: Yes, to facilitate the development of SMEs and to promote their efficiency and competitiveness.

Spain. Yes, this is fundamental.

Sri Lanka. CWC: Yes. Similar comments to those made in the reply of Israel — Histadrut.

South Africa. BSA: Qualitative aspects could be developed into a broad framework for comparative purposes, but it is doubtful whether quantitative aspects, which will be vastly different across the globe, can be addressed in an international instrument.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. The introduction of special standards for SMEs, other than those mentioned earlier, seems inappropriate. A young SME's first thought must be its survival; it would be counterproductive to burden SMEs with additional rules. It should, however, be possible to provide for derogations from certain legal requirements.

USAM: Tackling these issues would lead, given the standardizing nature of the text, to an excess of regulation which would kill, once and for all, any desire to establish an SME.

USS: Yes. Similar comments to those made in the reply of Israel — Histadrut.

Turkey. SMEs make a major contribution to the national economy and for this reason quantitative as well as qualitative aspects of employment in SMEs should be included in the instrument.

TISK: Yes, it is also necessary to aim at supportive policies and regulations.

United Kingdom. CBI: No. See Question 1.

United States. USCIB: Apart from basic issues of human rights, most issues relating to terms and conditions of employment should be left to workers and employers. Attempts to regulate employment and working conditions may decrease employment opportunities by introducing rigidities that impede the very flexibility that is the strength of SMEs. As the ILO background report notes on page 30: "The conditions of SMEs..create exceptional circumstances, since they may lack the capacity to meet the labour standards expected from large enterprises." This trade-off between working conditions and job availability in SMEs must be explicitly recognized in any measures that are designed to address simultaneously conditions of employment and increase job opportunities in SMEs.

Workers: Yes. It is essential that the instrument should consider the quantitative as well as the qualitative aspects of employment in SMEs. A framework that is silent on worker concerns and social concerns would be incomplete. The ILO background report shows on pages 14-15 that social protection is often lacking for the self-employed and those in the informal sectors and that compliance with social security regulations among smaller firms is low. Working conditions and access to social protection schemes providing pension rights and health-care facilities tend to deteriorate with size. SMEs on average provide less attractive jobs in terms of wage, fringe benefits, job security, institutionalized mechanisms for workers' participation in decision-making and in opportunities for skill enhancement and career development. Increases in child labour can be seen in the informal sector.

Uruguay. Employers: No.

Venezuela. As regards social protection, Venezuela will take steps to create a social security scheme to which all employers' organizations in the formal sector have access.

Employers: Yes, but there should be simplification in order to make obligations less burdensome.

CGT: Yes.

Zaire. CDT: Yes. Similar comments to those made in the reply of Israel — Histadrut.

A large majority of replies expressed strong support for both subparagraphs (a) and (b) of the question. A number of replies, however, expressed the view that, while it is important that the instrument addresses the main elements of the policy and legal framework as well as the support structures, programmes and other initiatives which can facilitate the development and growth of SMEs, the detailed definition of such measures should be left to each State according to its laws and policies, and based on its own economic and social considerations. In response to these comments, the Office points out that these concerns will be accommodated by the proposed instrument, since a Recommendation is not open to ratification, but provides guidance as to policy, legislation and practice.

Qu. 6 *Should the instrument apply to:*

(a) SMEs in all economic sectors (i.e. industrial, service and extraction) except farming?

Total number of replies: 59.

Affirmative (industry, services, extraction but not agriculture): 40. Argentina, Australia, Austria, Bahamas, Bahrain, Belarus, Bulgaria, Burundi, Cambodia, Chad, China, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Germany, Hungary, Jordan, Kuwait, Lebanon, Malaysia, Malta, Mexico, Myanmar, Niger, Norway, Oman, Panama, Philippines, Poland, Portugal, Slovakia, Spain, Sudan, Thailand, Turkey, United States, Venezuela, Yemen.

Negative: 1. Uruguay.

Other (industry, services, extraction and agriculture): 18. Belgium, Brazil, Central African Republic, Canada, Chile, Estonia, France, Italy, Kenya, Kyrgyzstan, Mauritius, Netherlands, New Zealand, Nicaragua, Peru, Qatar, Suriname, Switzerland.

Argentina. SMEs in the various economic sectors should have the same opportunities and production conditions.

Austria. GMBE: Yes. In principle, it makes sense for the instrument to apply to all branches of activity. Austria, being an industrial country, would place greater emphasis on the role of SMEs in the manufacturing industry where, in the future, it will be important to preserve jobs and to create new ones. The sharp rise in unemployment figures, which is also reflected at the international level, particularly in the metal industry, confirms this need.

Barbados. BWU: The Barbados Workers' Union (BWU) considers that the instrument should include farming because the agricultural sector is vital to the economic development of many countries. Further, there are many farmers who are entrepreneurs and employ workers and these workers should be entitled to protection.

Belarus. Yes. The instrument should apply to SMEs in all economic sectors.

Belgium. There is no reason to exclude farming from the proposed scope of application; the farm-produce industry should certainly be included in industrialized countries.

CNT: The instrument should also apply to all forms of enterprise, in the broad sense of the term, and specifically to social economy enterprises. As to the exception of the farming sector, this should be interpreted in the strict sense of the term as noted in the Office report.

Brazil. The instrument should be applicable to all SMEs. However, these enterprises are not all the same and differences at the organizational and operational levels might justify different treatment in the instrument.

CNT: The instrument should apply to all economic sectors, including agriculture.

CNC: Yes, if a Recommendation is adopted.

CNI: Yes.

Canada. Yes. It should apply to all economic sectors; however, it is not sure that farming should necessarily be excluded as SMEs in that sector may benefit from the same promotion mechanisms as other SMEs. In one Canadian jurisdiction (British Columbia) a number of small specialty enterprises such as mushroom farms and hothouse tomato farms fall into the category of SMEs.

CEC: No. Chapter II of the ILO report admits the difficulty of defining SMEs. Since even the definitions vary from country to country, how can the ILO establish a standard definition? Furthermore, difficulties relating to formal and informal sectors have been well documented elsewhere.

Central African Republic. Yes, including farming.

Chad. CST: Yes, including farming.

Chile. The instrument should apply to SMEs in all sectors including agriculture.

CONUPIA: Yes.

Colombia. CGTD: Yes.

ACOPI: Yes.

Cyprus. Yes, and farming should be excluded because of its peculiarities.

Denmark. Yes. Farming and fishing traditionally have their own fora for support and counselling.

LO: There is no reason to exclude farming.

Estonia. The Government and social partners consider that the instrument should apply to all economic sectors.

Finland. The general conditions for business operations should be equalized as far as possible regardless of the size, business form or branch of the enterprise.

France. The instrument should, on the one hand, apply to all sectors, including farming, as this sector plays a considerable role in developing countries and, on the other hand, should cover all forms of ownership.

CFDT: Yes. Any instrument should apply to SMEs in all economic sectors.

Germany. BDA: The instrument should apply to all economic sectors with the exception of agriculture. Further exceptions should be allowed only on the basis of special production process criteria, where, for instance, special occupational safety and health measures are required.

Ghana. TUC: Yes. The instrument should apply to SMEs in all economic sectors except farming.

Iraq. GFTU: Yes.

Israel. Histadrut: Any instrument should apply to SMEs in all sectors (i.e. industrial, service and extraction) except farming, as noted in 6(a). Therefore there is no need for a reply to Question 6(b) since the scope of 6(a) is already fully comprehensive.

Italy. (a) Yes. Farming should also be included.

CONFINDUSTRIA: Yes.

Japan. NIKKEIREN: The instrument should apply to all economic sectors except farming.

JTUC-RENGO: Yes.

Jordan. GFJTU: No.

FJCC: Yes, without exceptions.

Amman Chamber of Industry: Farming should not be excluded as it is in constant need of services such as machinery maintenance, the production of small tools and various other services.

Kenya. No. It should apply to all sectors.

Kyrgyzstan. Yes. This instrument should be conducive to the process of the creation of new jobs and should apply to industry, the service sector and agriculture.

Lebanon. Yes. The instrument should apply to SMEs in all economic sectors (industrial, services and extraction), with the exception of agricultural establishments that have no commercial or industrial character.

Lithuania. LDS: Yes. Similar comments to those made in the reply of Israel — Histadrut.

Malta. Yes. The instrument should apply to all economic sectors.

Mauritius. The instrument should apply to SMEs in all economic sectors without excluding farming. The resolution concerning the promotion of small and medium-sized enterprises adopted by the 72nd Session of the International Labour Conference, states that: " ... the promotion of small enterprises in rural areas should command a high priority". As farming is a facet of rural areas, the instrument should not exclude farming.

Netherlands. The Recommendation should be relevant to all small-scale labour organizations in all sectors, including agriculture.

VNO-NCW: No. The discussion in the ILO should be concentrated on SMEs in the market sector.

New Zealand.. Yes. If an instrument is to be developed, it should apply to all types of ownership in all economic sectors.

Nicaragua. There is no reason why the instrument should not apply to SMEs in the farming sector, especially in a country such as Nicaragua where agriculture is the mainstay of the economy.

Niger. SPEIN: Yes. In Niger farming is a family structure.

Pakistan. PNFTU: Similar comments to those made in the reply of Israel — Histadrut.

Peru. Yes. Farming is an important activity and should be included.

Poland. Solidarnosc: Similar comments to those made in the reply of Israel — Histadrut.

All Poland Trade Union: The instrument should apply to all economic sectors including industry, services and farming.

Portugal. CCP: The instrument should apply to all SMEs in all economic sectors.

Qatar. Yes, but it is better to include in the text a definition of the agricultural sector, because some enterprises work in areas related to agriculture but are not considered as agricultural enterprises.

South Africa. BSA: Exactly what is meant by "farming" needs to be defined. Does it include "farming-type" activities and agro-industries?

Spain. Yes, in principle.

Sri Lanka. CWC: Similar comments to those made in the reply of Israel — Histadrut.

Suriname. Yes. It should apply to all sectors, including farming.

Sweden. LO: Yes.

Switzerland. In Switzerland, SMEs are subject to the same legislation as other types of enterprises.

USS: Yes. Similar comments to those made in the reply of Israel — Histadrut.

USAM: Yes, provided that it consists only of general principles. Furthermore, clear distinctions should be made between the various types of countries.

VSA: The considerations and proposals in the report also include micro-enterprises, some of them in the informal sector. Under such circumstances, the exclusion of farming is not appropriate.

UCAPS: Yes, provided that the text is limited to widely accepted general principles.

United States. USCIB: Yes.

Uruguay. Employers: The proposal should read "SMEs in all economic sectors" and the rest of the sentence should be deleted.

Venezuela. It should apply to all economic sectors and all forms of ownership within the formal sector.

Employers: Yes, but without exception.

CGT: Yes.

Yemen. Yes. The instrument should apply to SMEs in all economic sectors.

Zaire. CDT: Similar comments to those made in the reply of Israel — Histadrut.

(b) all types and forms of ownership (i.e. private and public companies, cooperatives, partnerships, family enterprises, sole proprietorships and others)?

Total number of replies: 53.

Affirmative: 45. Argentina, Australia, Austria, Bahamas, Belarus, Belgium, Brazil, Bulgaria, Burundi, Central African Republic, Cambodia, Chad, China, Cyprus, Czech Republic, Denmark, Egypt, France, Germany, Hungary, Kenya, Kuwait, Kyrgyzstan, Malaysia, Malta, Mexico, Myanmar, Netherlands, New Zealand, Nicaragua, Niger, Norway, Panama, Philippines, Poland, Portugal, Qatar, Slovakia, Spain, Sudan, Suriname, Turkey, United States, Uruguay, Venezuela.

Negative: 6. Canada, Dominica, Japan, Lebanon, Mauritius, Oman.

Other: 2. Italy, Switzerland.

Argentina. Yes. See Question 6(a).

Belgium. Presumably these relate to the non-profit sectors that make up the social economy. If this is the case, they should be included in the scope. Depending on the case these are future or confirmed "markets", where the conditions of economic competition of the non-profit sector cannot impact on those of the commercial sector, and vice versa. In fact, activities often leave the non-profit sector for the commercial sector.

Barbados. BWU: Yes.

Chile. CONUPIA: Yes.

Colombia. CGTD: No. There should be a separate document dealing with all the forms of ownership which should be clearly defined as each is governed by a different form of administration.

Dominica. Except family enterprises.

France. Yes. The instrument should, on the one hand, apply to all sectors, including farming, as this sector plays a considerable role in developing countries and, on the other hand, it should cover all forms of ownership.

Germany. BDA: The instrument should not give preference to public property or discriminate against private property.

Hungary. Yes. Self-employment should be emphasized.

Iraq. GFTU: Yes.

Israel. Histadrut: See Question 6(a).

Italy. Under Italian legislation it is not possible to give a definite answer as the definitions of enterprises that serve our purpose vary for different sizes of enterprise and different sectors, depending on which legal category is being considered (financial or tax concessions, or regulations relating to dismissal, etc.).

CONFINDUSTRIA: Yes.

Japan. No. It is not appropriate to apply this instrument to the public sector.

JTUC-RENGO: No. It is not appropriate to apply it to the public sector.

Jordan. GFJTU: No.

FJCC: Yes.

Lebanon. The instrument should preferably apply to private and limited companies, according to national laws and regulations in force.

Lithuania. LDS: See Question 6(a).

Mauritius. The instrument should not apply to family enterprises and sole proprietorships where only family members are employed.

Mexico. Yes. Family enterprises should be excluded. It would be advisable to explore the possibility of giving special treatment to own-account workers.

Netherlands. VNO-NCW: The Recommendation should be applicable to all small-scale labour organizations in all sectors, including agriculture, the public sector and the unofficial sector, irrespective of the organization's legal form.

New Zealand. Yes. If an instrument is to be developed, it should apply to all types of ownership in all economic sectors.

Niger. SPEIN: Yes, except for family businesses.

Pakistan. PNFTU: See Question 6(a).

Poland. Solidarnosc: See Question 6(a).

Portugal. CCP: See Question 6(a).

Senegal. CNTS: The scope of 6(a) is already global.

South Africa. BSA: Public companies should be excluded.

Sri Lanka. CWC: See Question 6(a).

Sweden. LO: Yes.

Switzerland. USAM: The dynamism attached to SMEs seems incompatible with public forms of ownership.

UCAPS: No. Employment growth cannot be achieved in the same way in the private and public sectors. The public sector is not, in general, a long-term guarantee of multiplier effects and of an optimum allocation of standards. Jobs must be flexible, and thus correspond to real market demand. The public sector should not be mentioned in the list.

USS: See Question 6(a).

VSA: Yes, perhaps making an exception for family enterprises.

United States. USCIB: Yes.

Uruguay. Employers: The words "and public" should be deleted.

Venezuela. See Question 6(a).

Zaire. CDT: See Question 6(a).

(c) both formal and informal sector activities?

Total number of replies: 50.

Affirmative: 41. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belarus, Brazil, Burundi, Cambodia, Central African Republic, Chad, China, Colombia, Costa Rica, Cyprus, Denmark, Dominica, Egypt, Germany, Hungary, Italy, Kenya, Kuwait, Kyrgyzstan, Malaysia, Mauritius, Mexico, Myanmar, Netherlands, Nicaragua, Niger, Oman, Philippines, Slovakia, Spain, Suriname, Thailand, Turkey, United States, Uruguay.

Negative: 6. Bulgaria, Canada, France, Norway, Poland, Venezuela.

Other: 3. Lebanon, Malta, Portugal.

Argentina. See Question 6(a).

Australia. Yes. However, Australia requires clarification of the term "informal sector" as it is open to a variety of interpretations.

Belgium. CNT: The instrument should apply to all the economy and therefore to both the formal and informal sectors, especially as it is important to promote the integration of the informal sector enterprises into the formal sector.

Canada. No. The informal sector should not be included as the issues related to it are distinct from those related to the formal sector.

CEC: No. See Question 6(a).

Chile. CONUPIA: The instrument should preferably apply to the formal sector, with support being given to the integration of the informal sector into the formal sector.

Colombia. CGTD: Yes. The formal sector is different, and thus requires special treatment.

Cyprus. Attention must be paid to not encouraging the development of the informal sector, but rather its transition towards the organized sector.

Denmark. DA: No.

Finland. Competitive conditions between companies should be harmonized as far as possible. This should be taken into consideration when addressing the informal sector: although the measures needed are different for the informal and the formal sectors, they could be combined.

France. No. It does not seem advisable for it to apply to the informal sector, one of the aims of the Recommendation being the development of the formal sector through the role played by SMEs.

Germany. BDA: This distinction is of no consequence for German legal practice.

Hungary. Employers: No. The informal sector cannot be handled by a central bureaucratic regulation.

Workers: Yes.

Iraq. GFTU: Yes.

Israel. Histadrut: The very question in this proposal constitutes an implicit recognition of a separate legal identity for the informal sector. The inclusion of this proposal in the ILO questionnaire is wholly unacceptable as it runs contrary to a basic ILO principle, one defended since the creation of the ILO, namely the applicability of all ILO standards to all areas of the economy without exception.

Italy. Yes, as far as possible to both sectors.

Japan. JTUC-RENGO: Yes.

NIKKEIREN: Yes. As far as both (b) "all types and forms of ownership" and (c) "both formal and informal sector activities" are concerned, it is appropriate that the instrument be applied according to each country's particular local conditions, for the same reason mentioned in reply to Question 5.

Jordan. FJCC: Yes.

GFJTU: No.

Lebanon. It may be difficult to apply the instrument to the informal sector, especially in countries where insufficient data are available on this sector. It may be appropriate to take special measures gradually, according to needs, and to promote viable activities in the informal sector .

Lithuania. LDS: Similar comments to those expressed in the reply of Israel — Histadrut.

Malta. If the instrument were to apply specifically to the informal sector it would imply recognition of that sector. The instrument should refrain from making specific reference to the informal sector but include generally both the formal and informal sectors.

Niger. USTN: Similar comments to those expressed in the reply of Israel — Histadrut.

Pakistan. PNFTU: Similar comments to those expressed in the reply of Israel — Histadrut.

Philippines. The informal sector should be clearly defined and differentiated from the formal sector.

Poland. It should apply to the formal sector only.

Solidarnosc: Similar comments to those expressed in the reply of Israel — Histadrut.

Portugal. The nature and scope of the problems justify different treatment (see the resolution concerning the promotion of small and medium-sized enterprises adopted by the Conference in 1986).

CCP: Yes. See Question 6(a).

Qatar. Yes, as regards the formal sector. Concerning the informal sector, some conditions should be met by enterprises in view of the great diversity of occupations, some of which may be performed by a non-national and changing workforce.

Senegal. CNTS: It is unacceptable to include this question because it is entirely in conflict with the applicability of all ILO standards to all economic spheres without exception.

Sri Lanka. CWC: Similar comments to those expressed in the reply of Israel — Histadrut.

Sweden. LO: Yes.

Switzerland. USS: Similar comments to those expressed in the reply of Israel — Histadrut.

USAM: Such a mixture is absolutely unacceptable and could only serve to render the proposed instrument pointless.

UCAPS: An instrument of this type is not relevant for the informal sector which will in any case formulate its own rules.

United States. USCIB: No. The idea that any instrument can apply to the informal sector is a *non sequitur*.

Uruguay. Employers: The terms "formal sector" and "informal sector" should be defined.

Venezuela. No. See Question 6(a).

CGT: Yes.

Employers: No. It should apply only to the formal sector, but whilst promoting the integration of the informal sector, in accordance with Questions 5(a) and (b).

Zaire. CDT: Similar comments to those expressed in the reply of Israel — Histadrut.

Regarding subparagraph (a), replies overwhelmingly indicate a clear desire for a broad sectoral coverage by the instrument. Whilst a majority of governments replied in the affirmative, some replies by governments, employers' and workers' organizations appeared ambiguous about whether farming should be excluded, whilst others indicated a clear opinion that this sector should be included. Further, the view was expressed that the boundaries between "agriculture proper" and agriculturally related industrial, processing and commercial activities may be indistinct. For example, several replies indicated that agricultural activities with commercial or industrial characteristics (such as food processing, manufacture of agricultural tools, and agro-industries) should be included. Consequently, the Office has decided that, as a general principle, the scope of the instrument should be defined as applying "to all branches of economic activity".

With regard to subparagraph (b), replies were overwhelmingly affirmative. Only very few replies raised questions with regard to the inclusion of publicly owned and family enterprises. In view of the large number of affirmative replies, the Office has decided to introduce the words "irrespective of the form of ownership" in *Point 6* of the Proposed Conclusions.

With regard to subparagraph (c), the replies demonstrate general agreement that the instrument should cover both informal and formal sector activities. A number of replies, particularly from workers' organizations, point out that reference to the informal sector might imply implicit recognition of a separate legal identity for the informal sector. Moreover, it is clear that the borderline between the informal and the formal sectors is in practice ambiguous. Consequently, the Office has decided, as a basis for discussion, to draft *Point 6* of the Proposed Conclusions without making such distinctions regarding the instrument's coverage.

Qu. 7 *(1) Should the instrument recognize that the definition of an SME varies from country to country and that the detailed definition of an SME should be determined by each Member in line with local conditions?*

Total number of replies: 63.

Affirmative: 60. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belarus, Belgium, Brazil, Bulgaria, Cambodia, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Denmark, Dominica, Egypt, Estonia, France, Germany, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar, Netherlands, Niger, New Zealand, Nicaragua, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Slovakia, Spain, Sudan, Suriname, Switzerland, Thailand, Uruguay, United States, Venezuela, Yemen.

Negative: 1. Burundi.

Other: 2. Canada, Turkey.

(2) Should the instrument none the less define an SME as an enterprise employing from one to 100 persons? If not, please suggest another suitable definition.

Total number of replies: 64.

Affirmative: 29. Argentina, Bahamas, Bahrain, Bulgaria, Cambodia, Central African Republic, Chad, Colombia, Cyprus, Czech Republic, Germany, Kyrgyzstan, Malaysia, Malta, Mauritius, Myanmar, Nicaragua, Norway, Panama, Philippines, Portugal, Qatar, Romania, Sudan, Thailand, Turkey, Uruguay, Venezuela, Yemen.

Negative: 25. Belarus, Brazil, Burundi, Chile, China, Costa Rica, Dominica, Egypt, Estonia, Finland, Hungary, Japan, Jordan, Kuwait, Lebanon, Mexico, New Zealand, Oman, Poland, Slovakia, Spain, Syrian Arab Republic, Suriname, Switzerland, United States.

Other: 10. Australia, Austria, Belgium, Canada, Denmark, France, Italy, Kenya, Netherlands, Peru.

Argentina. (2) Though the range of one to 100 persons seems reasonable, other variables should be taken into account, such as invoicing and the economic sector involved (as provided for in the legislation of Argentina), so that the action taken can be flexible and dynamic and properly adapted to the economic circumstances of each country.

Australia. (1) Yes. It is particularly important for the instrument to recognize that the definition of an SME varies from country to country and that each member State must be able to determine its own detailed definition of an SME, because this definition varies according to a country's level of economic development, the nature of the firms present in that country, the technological sophistication of firms, etc. (2) For the purposes of international comparability, it would be appropriate to use a common definition of an SME. However, this issue is a complex one which should be the subject of discussion at the Conference. One of the difficulties involved in arriving at a suitable definition is deciding which sizing variable ought to be used: while most countries use employment or number of employees, others use financial measures such as wages and salaries, or a wage and salary figure adjusted to a full-time equivalence. A second issue is whether or not it is appropriate to use the same variable for each industry and even if the same variable is used, whether different boundaries should be used in different industries. A third question is whether non-employing businesses (for instance, sole proprietor businesses, and partnerships without employees) should be included. These are often referred to as "micro" enterprises. Any definition would probably need to identify separately such businesses from employing firms.

ACCI: (1) Yes. The instrument should incorporate both the provisions mentioned in this question. It should recognize that the definition of SMEs varies from country to country, and that detailed definitions can be established only by member States based on local experience and conditions. (2) Yes. However, the instrument should provide a definition of an SME that would apply unless specifically varied by the member State.

Austria. (1) Yes. In principle the definition should be left to individual member States. If it is however decided, in order to avoid extreme variations between countries as to what falls into the category of SMEs, to determine minimum employee numbers, the OECD definition should be taken as a reference.

Printing and Paper Workers' Union (DUP): (2) Yes.

GMBE: (1) Yes. There can be no generally accepted definition of SMEs. Medium-sized enterprises in the United States, for example, are of a different size from those in Austria. For this reason, each State should develop its own definition in line with its national, social and economic conditions. (2) No.

Bahamas. (1) Yes. Such provisions must be incorporated. (2) Yes.

Barbados. BWU: (1) No. Since there is need for flexibility there should be some criteria for determining what constitute small and medium-sized firms.

Barbados Employers' Confederation (BEC): (2) Suggests a definition of one to 50 persons.

BWU: (2) Suggests that net profit after taxes could be included in the definition.

Belgium. (1) Yes, also recognizing the necessary plurality of both qualitative (such as family-style management, and close social relations) and quantitative (such as the number of paid jobs, turnover and balance sheet total) criteria used to define SMEs. (2) This proposal relies solely on a quantitative and wage criterion to define SMEs. The States Members of the EU have a flexible but common framework which was proposed in a recent recommendation of the Commission of the European Communities in association with the definition of SMEs. This not only distinguishes between micro, small and medium-sized enterprises, but provides some qualitative criteria.

CNT: (1) Yes. (2) Yes. If the instrument does contain a definition of SMEs, it should be noted that the European Commission has drafted a recommendation based on a combination of several criteria.

Brazil. (2) There are other criteria, in addition to the number of employees, which should be used in defining the concept of SMEs, such as turnover, invested capital, type of organization (family or managerial), the product or service provided, etc. The international instrument should perhaps be limited to mentioning the most important criteria for the definition of SMEs which would be very useful to countries in formulating their own concept, as indicated in Question 7(1).

CNC: (2) Yes, if a Recommendation is adopted.

CNT: (2) Yes.

CNI: (2) No. In addition to the number of employees, the definition should take account of annual turnover and technological complexity.

Força Sindical: (2) Although some criterion is necessary, doubts arise as to whether SMEs should be defined by number of employees or by turnover.

Bulgaria. (2) Yes, but the difference between small and medium-sized firms should be kept in mind. There should be a separate definition for "small" and for "medium-sized" enterprises, according to the number of workers and assets. The limits should be determined by each government.

Burundi. (2) No. The instrument should contain a definition of SMEs and leave it to member States to add their own specifications, for example concerning the numbers employed.

Canada. (1) In principle, a flexible approach is called for to allow for locally appropriate conditions. However, differences in this regard may create difficulties for data collection for comparative purposes. If it is found that there is relatively little variance across member States on the definition of an SME and consensus can be reached, it should be included as a reference definition. (2) This size range may be too large. In several Canadian provinces, the majority of firms have 50 and fewer employees. An upper limit of 50 may be more appropriate for small enterprises, with up to 100 for medium enterprises. It is suggested that the definition of SMEs include subsidiary definitions incorporating micro business, small business and medium business. Different size definitions may be required for different sectors, e.g. manufacturing as distinct from others. It should also be determined what qualitative factors define an SME, as self-employed and home-based industries are often considered in the discussion of SMEs, however, the characteristics and issues associated with these types of businesses are often significantly different from those in other small and medium businesses.

CEC: (1) Definitions are difficult in this rapidly changing sector and can relate to numbers of employees, measures of wealth creation, sales volumes, comparisons with other enterprises within the same area of commercial activity, location of facility(s) and/or head office, or national or international size and activity.

Chad. CST: (1) Yes, according to the economic and social environment of each country. (2) Yes. In developing countries such as Chad, enterprises with 100 or more employees are classed as large enterprises. SMEs employ between 11 and 50 workers. The number of employees is not one of the main criteria in the definition of an SME. The OECD's definition of an SME as an enterprise employing between one and 100 workers should be the general definition used in the instrument.

Chile. (2) No. The instrument should permit a definition corresponding to the realities in every country, using parameters designed to facilitate comparability. Emphasis should be given to variables such as the number of workers and volume of commercial activity, all of which combined reliably reflect the enterprise's production potential.

CONUPIA: (1) Local differences should be recognized with the use of a few basic indicators. (2) No. The definition should not be restricted to jobs but should take other variables into account (volume of materials consumed, capital investment, gross production value, sales volume, etc.), including those of a non-quantifiable nature: direct contact with the workforce, the nature and complexity of management, etc.

China. (2) No. The instrument should define an SME as an enterprise employing fewer than 300 persons, and set out some criteria regarding registered capital.

Colombia. ACOPI: (1) Yes, but a standardized definition should be used. (2) No. As well as including the number of workers in definitions, enterprises' assets should also be considered. In addition, technology-based enterprises tend to have less need of labour as is the case with modern organizational structures, where the concept of virtual enterprises is applied and/or subcontracting is used, the result being fewer employees.

CGTD: (1) Yes. This should be recognized in the instrument not only because it varies from one country to another, but because it varies within countries, and therefore each Member should determine its own definition in line with local conditions. (2) No. Very precise regulations should be established because an enterprise with 50 workers, using obsolete machinery, is not the same thing as one working with modern machinery. The former will have a production level reflecting its actual capacity, while the latter can achieve a production level comparable to the output of 300 workers. It is therefore necessary to make distinctions.

Costa Rica. (1) Yes. As regards the definition of an SME, and given the specific characteristics of the member States, the instrument should consider a definition that outlines the conditions and needs of the SME sectors. (2) No. The National Programme of Support for Small and Micro Enterprises (PRONAMYPE) of the Ministry of Labour and Social Security in Costa Rica uses the following definition: micro enterprises have up to five employees, small enterprises have up to 20 employees.

Cyprus. PEO: (1) Since SMEs vary from country to country, it should be left to the discretion of the responsible authority to determine the appropriate definition, taking into account local conditions, the views of employers' and workers' organizations, the financial instruments, and specific interest groups. The involvement of all the economic actors can lead to the formulation of consensus-based definitions. (2) The instrument should leave the question of SME definition and how many employees to be counted to the discretion of the responsible authority in each member State.

SEK: (1) The definition of an SME should be left to each Member. (2) The criterion of employment of up to 100 persons could be included in the instrument.

Czech Republic. (1) Yes. (2) Yes. Especially from the point of view of comparability and statistical evidence an upper limit should be fixed (while respecting the national characteristics of individual countries).

Denmark. (2) Not necessarily a fixed number, but not exceeding 100.

DA: (1) Yes. (2) No.

LO: (1) Yes. (2) No firm position.

AC: (2) Use OECD definition.

Dominica. (2) No. In the Dominican context, one to 15 persons.

Egypt. (2) No. The definition should include not only the number of persons employed, but other characteristics, such as the volume of production, amount of capital, etc.

EFTU: (2) Yes.

Estonia. (1) A more flexible definition of an SME would be desirable, taking into account local conditions, and perhaps based on the OECD definition. (2) No. The instrument should not define an SME as an enterprise only employing from one to 100 persons. It should be more flexible and follow local circumstances. In Estonia, SMEs are defined by number of workers (up to 80 persons) and turnover; both criteria should be considered.

Finland. (1) The definition of an SME should be determined on a national basis. (2) No. A definition based on the size of enterprise or other criteria should be left to member States.

France. (1) Yes. (2) However, the instrument should provide that to be defined as an SME, an enterprise should not employ more than 500 persons.

CFDT: (1) Is the most appropriate. A review of recent European definitions could however be useful.

Germany. In view of the substantial differences between individual industries and member States, a precise definition does not seem appropriate.

BDA: (1) Yes. In addition, the instrument should recognize that the definition of an SME varies from sector to sector and from branch to branch and that, therefore, various definitions are necessary. (2) In view of the comments on 7(1), such a definition of SMEs and possible alternatives do not seem appropriate.

DGB: (1) Yes. (2) The OECD definition should be used.

Ghana. TUC: (1) Yes. (2) No.

Hungary. Employers: (2) A statistical recommendation, independent of the definition, should be added to this point.

Workers: (2) We believe that the EU-norm system should be accepted in this case.

Iraq. GFTU: (1) Yes. (2) Reference should be made to the volume of capital invested and level of technology.

Israel. Histadrut: (1) Yes. The resolution concerning the promotion of SMEs adopted by the 72nd Session of the International Labour Conference in 1986 states that: "A universally accepted definition of small and medium-sized enterprises (SMEs) does not exist. It is more appropriate for each country to develop its own definition according to national, social and economic conditions." This statement remains an appropriate basis for the formulation of any instrument, as suggested in 7(1). (2) No. With this in mind, there is no need for the qualification proposed in 7(2).

Italy. (1) Yes. (2) There are discrepancies between current international definitions and those used in individual national legislative provisions. However, a discussion on this Point could result in a high level of consensus.

CGIL, UIL, CISL: The structure of SMEs from the point of view of organization and production is unique and is closely linked to national conditions; thus it is individual States that should determine definitions.

CONFINDUSTRIA: (1) Yes. (2) Yes. The definition depends on the typology of the SMEs in the various countries and therefore on their usual size in the country concerned.

Japan: (1) Yes. (2) No. It is difficult to establish a definition of SMEs which will reflect differences in situations in each member State. In view of the resolution adopted in 1986 (quoted in the reply of Israel — Histadrut), the content of the instrument should be flexible to make it acceptable by many nations.

JTUC-RENGO: (1) and (2) Yes.

NIKKEIREN: (1) Yes. (2) No. In Japan, there is a legal definition of SMEs in general. It is, however, not appropriate to propose that any particular definition be adopted at the international level.

Jordan. FJCC: (2) Criteria other than the number of workers should be taken into account.

Amman Chamber of Industry: (1) No. The definition of an SME should not vary from country to country, provided that the size of the enterprise is determined by the number of workers in the first place. (2) For Jordan and other developing countries, the number should be one to 15 persons.

GFJTU: (2) A special international framework should be established to define SMEs.

Kenya. (1) Yes. (2) No. The definition should be one to 50 persons.

Kuwait. (2) The criterion of "the number of workers" is the most commonly used one and therefore small enterprises should be considered as those which employ from one to nine workers, whereas medium enterprises are those which employ ten to 50 workers.

Lebanon: (2) The instrument should not define SMEs by reference to the number of persons employed and any definition should be determined by each State according to its needs.

Lithuania. LDS: Similar comments to those expressed in the reply of Israel — Histadrut.

Malaysia. MLO: (1) Yes. (2) An SME can be defined as an enterprise employing from one to 200 persons. Anything above this number would be relatively large.

Malta. (2) Yes. An SME is an enterprise which employs less than 100 persons and which has as its principal characteristic feature the intensive use of human resources, but excluding farming and fishing.

Mauritius. (1) Yes, for the sake of flexibility. (2) Yes. In Mauritius an SME is defined as an enterprise engaged in manufacturing and using production equipment the aggregate CIF value of which does not exceed 5,000,000 rupees (US$280,000).

Mexico. (1) Yes. Countries should determine their own definition. In Mexico, the official definition classifies enterprises which directly employ up to 15 workers as micro industries; small-scale industry comprises enterprises which directly employ between 16 and 100 workers; and medium-sized industry enterprises which directly employ between 101 and 250 workers. (2) The instrument should not define the concept of an SME as an enterprise which employs from one to 100 persons. It would be preferable to state that the matter be left to national law and practice.

Netherlands. Each country is free to choose its own definition of an SME, but the Recommendation should be particularly relevant to small-scale labour organizations with no more than 35 employees. Those organizations may be distinguished from other organizations, for instance, because they lack middle management. Advice and information to these organizations, such as from government, therefore require extra consideration.

New Zealand. (1) Yes. The definition of an SME should be determined by each country. For example, 99 per cent of firms in New Zealand employ less than 50 people. Consequently, in New Zealand the understanding of a small firm may be quite different from that of another developed economy. (2) No. New Zealand does not agree that an instrument should define an SME as an enterprise employing from one to 100 persons.

Niger. USTN: (1) Yes. (2) No. This is unnecessary since this matter is dealt with in paragraph 1 of the conclusions appended to the resolution concerning the promotion of SMEs adopted in 1986 by the International Labour Conference.

SPEIN: (1) The instrument should provide general and specific definitions depending on the level of development. (2) Yes.

Oman. (2) The definition of an SME should be an enterprise managed by an actual or legal person employing one or more wage worker of any kind.

Pakistan. PNFTU: Similar comments to those expressed in the reply of Israel — Histadrut.

Peru. (1) Yes. (2) The size of the enterprise should be specified in accordance with the number of workers.

CATP: (1) Yes. (2) No. SMEs should not defined on the basis of number of workers.

Poland. Solidarnosc: Similar comments to those expressed in the reply of Israel — Histadrut.

Portugal. (2) Yes, and also including micro enterprises with one to nine workers.

Confederation of Portuguese Industry (CIP): (2) Reservations about a definition based on the number of workers.

CCP: (2) No. Opposes any definition based exclusively on the number of workers.

Qatar. (1) Yes. The definition should be left to each State. (2) Yes. The definition of SMEs as employing from one to 100 persons seems reasonable. But it may adversely affect workers in countries where the majority of enterprises employ less than 100 persons, especially if these enterprises are excluded from the application of certain requirements in relation to legislation, regulations and working conditions.

Slovakia. (1) Yes. Every Member of the ILO should provide a definition of SMEs. (2) No. Small enterprises should be defined as employing a maximum of 24 employees, and a medium-sized enterprise as employing 25 to 500 employees.

South Africa. BSA: (1) Variety must be recognized. However, there is nothing to prevent an attempt, at some stage, being made to develop an internationally applicable definition of SMEs, although it would have to be very broad. (2) No. It is impossible to stipulate a number of employees as this will vary widely from country to country.

Spain. Yes. This would seem more appropriate. It is not advisable to include a definition of an SME in an instrument such as is intended, as this would limit the concept and make it more difficult to implement its guidelines. (2) No. Normally, the definition will vary according to the specific objective of each of the measures designed to promote SMEs.

Sri Lanka. CWC: (1) Yes. Similar comments to those contained in the reply of Israel — Histadrut.

Suriname. (2) No. One to 50 employees.

Sweden. LO: (1) Yes. (2) No.

Switzerland. (2) No. Local conditions may vary considerably not only between countries but within countries, as a result of their topography or economic geography. Defining SMEs in the instrument could create problems in some regions and for some economic activities.

USAM: (2) This criterion is far too arbitrary and entirely disregards national and regional differences. Only a definition based on the type of activity could offer some sort of perspective, although this criterion would still be very imprecise.

USS: (1) Yes (2) No. Similar comments to those contained in the reply of Israel — Histadrut.

VSA: (1) Yes. (2) The number 100 seems rather high. A distinction between "small enterprises" (up to ten) and "medium-sized enterprises" (11 to 100) would be preferable.

Syrian Arab Republic. (2) SMEs should be defined as follows: "National law shall define SMEs by taking into account, in addition to the criterion of the number of workers, other criteria such as the volume of production and the volume of assets."

Turkey. (1) The instrument should define only the general conditions for SMEs. However, in line with the international relations to be developed in the future, such general conditions may need to be changed. If the definition of an SME is to be a common one, it should not be narrow and limited in scope.

TISK: (1) Yes. The detailed definition of an SME should be determined by the national legislation of each Member. (2) No. The definition should not be based only on the number of workers; criteria such as capital structure, technology used, production, sales capacity, labour force quality, amount of energy used and integration into international markets should be taken into consideration.

TÜRK-IS: (1) Yes.

United Kingdom. CBI: (1) Yes. (2) Different sources use different definitions. What matters is that the definition is clear and that it is appropriate to the purpose. The CBI's working definition is that an SME is a business with between one and 500 employees.

United States. USCIB: (1) Yes, conditions and circumstances vary widely among ILO member countries. (2) It is overly inclusive to define an SME as an enterprise employing up to 100 persons. It would be more appropriate to distinguish between small enterprises (fewer than ten or 20 employees) and medium-sized enterprises. A further distinction could be made between start-up and established organizations. Other variables such as industry sector and ownership structure should be considered.

Uruguay. Employers: (1) Yes. (2) No. The concept should be defined in each country on the basis of its social and economic circumstances.

Venezuela. (2) Yes. This can be the basic parameter for defining an SME, without prejudice to a Member's choice of another parameter, depending on local conditions.

Employers: (2) No. In principle it should be an enterprise which is: (i) legally established in accordance with 5(a); (ii) employing a small number of persons (a relative figure which would depend on conditions in each country).

CGT: (1) No. The instrument should recognize a universal definition of SMEs, since the specific conditions in each country will depend on the regulatory, juridical, political, economic and cultural framework that has been created for their development.

Zaire. CDT: Similar comments to those contained in the reply of Israel — Histadrut.

Regarding subparagraph (1), replies indicate almost unanimous agreement with the question.

With respect to subparagraph (2), a majority of replies are against including a general definition of an SME as being an enterprise employing from one to 100 persons. Further, the detailed comments reinforce this view and clearly demonstrate, as noted by the resolution concerning the promotion of SMEs adopted by the 72nd Session of the ILC in 1986, that no universally accepted definition of SMEs exists, and that it is therefore more appropriate for each country to develop its own definition according to its national, social and economic conditions. The Office has, therefore, decided not to retain subparagraph (2).

Many replies also point out, however, that definitions of SMEs may be based on a number of criteria such as employment, invested capital, level of technology, sales volume, management structure and others, and it is suggested by some that the Recommendation should identify some of the most important such criteria without going into detail about their actual application.

The Office has decided to incorporate the latter suggestion as an addition to the amended text which is provided as *Point 4* in the Proposed Conclusions.

IV. Policy and legal framework

Qu. 8 *Should the instrument emphasize the importance of stability of:*

(a) the economic environment (i.e. rates of inflation, interest, exchange and tax) through appropriate fiscal and monetary policies?

(b) rules governing subjects such as property rights, zoning and enforcement of contracts?

Subparagraph (a):

Total number of replies: 62.

Affirmative: 55. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belarus, Brazil, Bulgaria, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Czech Republic, Egypt, Estonia, Finland, France, Hungary, Japan, Jordan, Kenya, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, New Zealand, Nicaragua, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Slovakia, Spain, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 5. Denmark, Dominica, Italy, Kuwait, Sudan.

Other: 2. Bangladesh, Belgium.

Subparagraph (b):

Total number of replies: 56.

Affirmative: 47. Argentina, Australia, Austria, Bahamas, Barbados, Belarus, Brazil, Burundi, Cambodia, Canada, Central African Republic, Chad, China, Cyprus, Czech Republic, Egypt, Estonia, Finland, France, Hungary, Japan, Kenya, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, New Zealand, Nicaragua, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Spain, Suriname, Thailand, Turkey, United States, Uruguay, Venezuela, Zaire.

Negative: 7. Bulgaria, Denmark, Dominica, Italy, Kuwait, Norway, Sudan.

Other: 2. Bangladesh, Belgium.

Argentina. States must encourage the promotion of economic stability and growth with equity, which is the only way to formulate effective policies for SMEs.

Australia. The most important roles for governments are to provide a stable macroeconomic environment for private sector activity and to ensure that there are no impediments to job creation in SMEs. In particular, government efforts are most appropriately aimed at macroeconomic policies that promote a stable, low inflationary environment, while pursuing micro-economic reform (including changes to the taxation system and industrial relations reform) that will help to lift the productive capacity of the economy. This will provide the most favourable environment for private sector job creation, including SMEs.

ACCI: An instrument should emphasize both these elements as twin imperatives in the furthering of employment in SMEs. The success of such enterprises is predicated upon an efficient and conducive operating environment. This entails both a conducive economic environment and operational certainty through confidence in property and contract.

Bangladesh. In regard to Questions 8 to 14, the creation of an ideal economic environment is dependent on the resources available to a country and the utilization of such resources by the adoption of appropriate industrial, fiscal and monetary policies and the enacting of suitable legislation to stimulate investment promotion and job creation. The adoption of an international instrument might complicate matters and give rise to more problems than it solves.

Belgium. Political stability is just as important to SMEs as to other economic sectors. (a) This criterion of stability will be more or less responsive depending on how open to international competitiveness the sectors under consideration are. (b) Instead of "stability", the aim of legal "security" could be preferred. The law must be able to evolve and adapt itself to the way in which SMEs develop at the national and international levels.

CNT: (a) Yes. Reference should also be made to appropriate employment policies.

Canada. (a) Yes, as SMEs often operate with small profit margins. Instability in the foreign exchange rates or tax structures, for example, may pose significant threats to the operation of SMEs. (b) Yes. However, there is likely to be a large range of rules based on regional/local rules and regulations, licencing and reporting.

Central African Republic. (b) Yes, within certain limits.

Chad. (b) Yes. These are the main causes of instability among SMEs in Chad.

Chile. CONUPIA: (b) Yes.

Colombia. ACOPI: (a) and (b) Yes.

CGTD: (a) Yes. The employment sector fully believes that industry should be as stable as possible, because to a large extent it is this that translates into worker stability. (b) Yes. In Colombia these exist in the areas of property rights and the enforcement of contracts.

Cyprus. PEO: (a) Yes. (b) Yes. The instrument should lay emphasis on rules giving access for urban SMEs to occupy land or premises of their own. The existing complicated and expensive procedures for registering land titles work against small enterprises. The instrument should provide that the relevant regulation and administrative procedures on this issue should be simplified and streamlined where compliance imposes a disproportionately heavy burden on SMEs, at the same time providing full protection for workers' rights. Zoning policies aimed at preventing activities within residential areas often work against the interest of small firms which may not have the necessary capital to establish themselves on special industrial estates located far away from the small enterprise's local market. Consequently, the enforcement of zoning regulations can cause serious disruption for small firms located in non-permitted areas. In view of this the instrument should provide for a more imaginative use of zoning policies.

Denmark. (a) No. These matters do not fall within the competence of the ILO. (b) No. See Question 8(a).

LO: (a) Yes, if it is not sufficient to refer to earlier mentioned Conventions and active labour market policies. (b) Yes.

Estonia. Both sets of aspects can be emphasized, but particularly those in Question 8(b).

Finland. On a general level, it is justifiable to emphasize the stability and permanence of the conditions mentioned in (a) and (b), and consequently the importance of reliability. The stability of the economic environment in all its subsectors is an essential objective. It is an important basis for the operations of enterprises of all sizes, not only for the SME sector.

France. CFDT: Yes, and in addition unemployment and social labour legislation.

Germany. BDA: (a) The instrument should expressly emphasize the value of monetary stability in as much as inflation leads to a devaluation of assets and an insidious depletion of wealth. Inflationary tendencies have particularly harmful consequences for the establishment, livelihood and growth of SMEs. In addition the instrument should point to the importance, for planning purposes, of reliability and predictability in respect of tax rates. Interest and exchange rates should, however, not be referred to, as they are not the subject of economic policies but the result of market processes. (b) The instrument should expressly underline the importance of an independent and incorruptible legal system.

DGB: Questions (8) to (14) are generally supported.

Ghana. TUC: (a) Yes. The instrument should emphasize the importance of stability of the economic environment and of the fullest application of the national legal framework. (a) Unemployment should be added to the criteria listed. (b) Yes.

Iraq. GFTU: (a) No. (b) No.

Israel. Histadrut: (a) Yes. Any instrument should emphasize the importance of stability of the economic environment and of the fullest application of the national legal framework. (a) Unemployment should be added to the criteria listed since it is a source of social tension and potential economic instability. (b) Yes. All legislation, and in this context especially social and labour legislation, should be fully applied throughout the economy. Social and labour legislation needs to be added to the subjects covered by such rules.

Italy. CONFINDUSTRIA: (a) Yes. (b) Yes. The stability and clarity of the legal and socio-economic framework are fundamental for SMEs. Changes lead to problems of adaptability and have an impact on costs, productivity and efficiency.

CGIL, CISL, UIL: (a) and (b) Yes. The development of smaller companies is clearly linked to political stability and a reduction in bureaucratic procedures. In fact, it is such procedures that deter SMEs from growing.

Jordan. GFJTU: (a) and (b) Yes.

FJCC: (a) and (b) Yes.

Kuwait. (a) No. An instrument should not address these economic subjects in the framework of an international instrument which deals with the general conditions to stimulate job creation. (b) No. The instrument should not address such subjects which should be governed by the laws of industry and commerce and not by labour legislation.

Kyrgyzstan. (a) Yes. The instrument should emphasize the influence of the economic environment, and its stability, on the rate of inflation and exchange rates; of primary importance also is the simplification of the system of document preparation and decision- making for obtaining loans. (b) Yes. The instrument should emphasize the importance of the stability of rules governing property rights of enterprises and the basis for control over the use of loans.

Lebanon. The instrument should emphasize the importance of the stability of the economic environment through the design of appropriate monetary and financial policies and the stability of the rules governing subjects such as property rights, zoning and enforcement of contracts, with account being taken as far as possible that some conditions experienced by States, such as inflation and the requirements of accelerated development, may require changes in the adopted rules.

Lithuania. LDS: Similar comments to those expressed in the reply of Israel — Histadrut.

Malta. The instrument should emphasize the importance of statistics but should refrain as far as possible from indicating preferences for specific tools of economic policy.

Mauritius. A stable economic environment is imperative for the smooth growth and development of SMEs. The instrument needs to provide for policies to promote an environment conducive to the growth of SMEs.

Mexico. (a) Yes. Exchange rates are one of the key variables in the economy, and exchange policy should avoid the overvaluation of currency, which will inhibit internal savings and national production. At the same time, in conjunction with other economic policy instruments, the exchange rate should contribute to stabilizing price levels. Such measures help create an economic climate which is favourable to investment and productive development.

Netherlands. (a) Yes. (b) Yes. Stability in the economic environment and government regulations concerning the points mentioned are important to small-scale labour organizations in particular because of the relatively large effect that adapting to fluctuations in the areas mentioned has on such enterprises. The Recommendation can draw attention to this.

New Zealand. (a) Yes. Sound and stable macroeconomic policies and micro-economic reforms are the primary and most crucial elements of the New Zealand Government's framework of economic policies. They establish the climate in which all New Zealand firms operate, and remove uncertainties and impediments to their development.

Niger. USTN: (a) Yes, but unemployment, a potential source of social tension and economic instability, should be added. (b) Yes.

SPEIN: (a) and (b) Yes.

Pakistan. PNFTU: (a) and (b) Yes.

Peru. (a) Yes, with account also being taken of the success of products on the local and international markets. (b) Yes.

Poland. Solidarnosc: Similar comments to those expressed in the reply of Israel — Histadrut.

Senegal. CNTS: (a) Yes, but adding unemployment within the parentheses. (b) Yes, with the addition of social and labour legislation.

Spain. (a) and (b) Yes, in principle.

Sri Lanka. CWC: (a) Yes. Similar comments to those expressed in the reply of Israel -- Histadrut.

Sweden. LO: (a) Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs. (b) Yes. See also Question 8(a).

Switzerland. (a) Yes. A stable economic environment should be a condition for the development of SMEs. (b) The rapid pace of change of national legal rules facilitates the adaptation of the economic fabric and greater flexibility in working conditions. Thus, the sort of stability that leads to immobility should not be promoted.

USS: Similar comments to those expressed in the reply of Israel — Histadrut.

USAM: (a) Yes, provided that it is clear that stability is not synonymous with immobility. (b) Yes, provided that the legal rules benefit SMEs.

UCAPS: (a) Yes. A stable economic environment is a basic prerequisite for enterprise development. The difficulty, however, is finding the optimum mix (particularly between interest rates and exchange rates) to achieve this. (b) Yes, by stressing the need to have legal rules that encourage enterprise development. As regards SMEs, taxation, in particular with respect to prohibitive estate duties that can lead to the collapse of enterprises, should be taken into account.

United Kingdom. CBI: In regard to Questions 8 to 14, there is no place for an international instrument for SME policy on employment. However, with policy-makers becoming increasingly aware of having to take into account the needs of SMEs in designing new initiatives and regulations, decision-makers need a coherent statement of what makes SMEs different to guide them as they develop new initiatives. The CBI has produced a check-list which is intended to provide a starting-point against which those delivering services should test their ideas.

United States. Workers: The instrument should emphasize the importance of the stability of the economic environment through appropriate fiscal and monetary policies. Such policies can encourage or discourage SMEs in a number of ways. Individual tax policies that are regressive, for example, can worsen income and wealth inequalities in developing countries. Progressive taxes based on the ability to pay are fairer and help to bring about economic and social stability. A broad middle class with higher incomes stabilizes society, facilitates home ownership and encourages the development of new businesses through broad economic demand. Regressive taxes decrease effective demand among low wage consumers who have a high propensity to spend.

USCIB: (a) Yes. (b) Yes.

Venezuela. (a) Yes. (b) Yes, because the stability of the political, economic and legal environment has an impact on confidence and job creation through foreign and domestic investment.

Employers: (a) Yes, although this goes beyond the subject in question.

Zaire. CDT: Similar comments to those expressed in the reply of Israel — Histadrut.

Replies to both subparagraphs (a) and (b) are strongly affirmative. A number of comments express the view that the instrument should also mention the importance of the stability of appropriate employment policies and social and labour legislation. The Office finds this suggestion appropriate and the texts of subparagraphs (a) and (b) have been amended accordingly and included in *Point 7* of the Proposed Conclusions.

Qu. 9 *Should the instrument provide for policies to promote efficient and competitive SMEs which are able to provide productive and sustainable employment opportunities under adequate social conditions?*

Total numbers of replies: 63.

Affirmative: 58. Argentina, Austria, Bahamas, Bahrain, Barbados, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, Finland, France, Hungary, Italy, Japan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar, New Zealand, Nicaragua, Niger, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Slovakia, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 1. Netherlands.

Other: 4. Australia, Bangladesh, Belgium, Spain.

Australia. ACCI: An instrument should provide for policies to promote efficient and competitive SMEs which are able to provide productive and sustainable employment opportunities. This should of course be undertaken under adequate social conditions, but any instrument should not unduly prescribe what these conditions are. A range of ILO and other international instruments exist to protect individual and collective rights and they do not need to be replicated in a further instrument.

Bangladesh. See Question 8.

Belgium. It is not certain, where SMEs are concerned, that it is possible to reconcile efficiency and competitiveness with employment development. In fact SMEs are, in comparison with large enterprises, more labour intensive than capital intensive.

Denmark. As part of its national policy Denmark complies with the fields mentioned: they are important for the framework conditions of SMEs. But it should be up to individual countries to decide to which extent they should be incorporated into national policies. However, the requirement for "adequate social conditions" is a central one.

LO: Generally yes to all parts of the question.

DA: Generally no to all parts of the question.

Netherlands. No. Although the policy options mentioned are valuable, they are rather specific and detailed. In view of what has been said elsewhere (see Question 4) it would be better not to include them in the Recommendation. It would be possible, however, to indicate preconditions as mentioned under Questions 10 and 11 for these aspects of policy development in the Recommendation.

New Zealand. If an instrument is developed, it should provide for policies to promote efficient and competitive SMEs.

Spain. See remarks to Question 9(1) below.

Switzerland. USAM: No opposition to the principle underlying this question, but very sceptical about any policy "to promote efficient and competitive SMEs". This can be accepted only if the promotion specified concentrates on establishing a favourable regulatory framework for SMEs.

UCAPS: Yes, but along market economy lines and to encourage the development of free enterprise.

Almost all replies are affirmative to the question. Consequently, the Office has decided to retain the provision as *Point 8* of the Proposed Conclusions.

(1) Should such policies include the objective of creating an environment which provides equal opportunity for all sizes and types of enterprises in such areas as access to credit, foreign exchange, imported inputs and taxation?

Total number of replies: 57.

Affirmative: 49. Argentina, Austria, Bahamas, Bahrain, Barbados, Bulgaria, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Cyprus, Czech Republic, Denmark, Dominica, Estonia, Finland, France, Hungary, Italy, Japan, Kenya, Kuwait, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar, New Zealand, Nicaragua, Norway, Oman, Panama, Peru, Philippines, Portugal, Qatar, Slovakia, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Venezuela, Yemen.

Negative: 5. Australia, Belgium, Costa Rica, Kyrgyzstan, Uruguay.

Other: 3. Brazil, Egypt, Spain.

Argentina. General and basically horizontal policies are needed to improve the access of SMEs to financing (for both the creation and development of enterprises) and to offer them a better fiscal and tax environment, according to their needs and possibilities.

Australia. The desirability of special regimes to promote the growth of SMEs is questionable. In general, it is preferable to put all businesses on an equal (and not a special) footing. Australia supports reforms to regulations that are inefficient, and the removal of impediments to growth in both SMEs and more generally, including those — where appropriate — in relation to banking and taxation. The inclusion of the objective of creating equal opportunity for all sizes and types of enterprises in such areas as access to credit and foreign exchange, while desirable, is inconsistent with commercial reality. Small companies, because of their lack of economic power, will always incur difficulties in accessing credit, etc. If such a provision is incorporated into the instrument, it may therefore become too impractical. The expression "equal opportunity" should be replaced with "fair opportunity", to take into account the reality of the advantageous position of larger enterprises in accessing finance and through market/purchasing power.

Austria. GMBE: Yes. An important part of the instrument deals with workers' interests. The promotion of SMEs must be accompanied by a sound policy to protect workers' legitimate interests in this sector. In this connection preventive worker protection should be mentioned, which in future will become increasingly important. Safety and health at the workplace should be guaranteed. Only in satisfactory working conditions can workers perform their tasks most effectively, in particular in SMEs.

Belgium. The objective of "equal opportunity" is equivalent to denying the specificity and originality of SMEs as being particularly instrumental in employment creation. Access to credit should come under a separate heading, as in general the real guarantees offered by SMEs are lower than those provided by large enterprises. Likewise, taxation cannot be considered as an economic policy tool that is particularly appropriate for SMEs, which can make less use of tax arrangements than large national and multinational enterprises. Lastly, use of taxation is extremely effective for very profitable enterprises. If capital in SMEs is held by family members, the taxation approach becomes less important than, for example, in joint-stock companies.

CNT: The instrument should specify that the policies referred to should also include among their objectives equal opportunities for all enterprises in respect of the application of international labour standards.

Brazil. Since the purpose of the instrument is to encourage the creation of jobs in SMEs, policies should focus on conditions which can promote the role of such enterprises, avoiding the establishment of privileged conditions which could be detrimental to economic freedom and competitiveness.

CNC: Yes.

CNI: Yes.

CNT: Yes, but with priority being given to SMEs as regards access to credit.

Canada. CEC: No. Since policy and the legal framework aim, in various ways, to affect the direction and momentum of growth in SMEs, no instrument should be envisaged if it will hinder, distort or block the free development of this already impressive job-creating sector. SMEs are highly entrepreneurial and opportunity-driven. Any policies that are developed by governments, even those designed to promote efficient and competitive SMEs and that assure sustainable employment opportunities under adequate social conditions, will contain certain rigidities and quickly become outdated in the dynamic and competitive national and international marketplaces in which SMEs must compete. Thus, even policies designed with the best intentions, will soon become barriers to entrepreneurial potential. Rather than attempting to influence the environment in which SMEs compete through policy initiatives, governments should focus on the elimination of barriers, including government debt, taxes and regulation.

Colombia. CGTD: Yes. For optimum industrial development it is necessary that all forms of access to credit are available to SMEs.

Cyprus. PEO: Yes, despite the heterogeneity of SMEs. Governments may address the credit problem by providing interest rate subsidies or guarantees to lending institutions, reducing transaction costs and simplifying procedures. The instrument should emphasize the taxation area so that micro-enterprises are relieved from unnecessary, burdensome, inflexible and unclear tax regulations. However, the instrument should emphasize that the adoption, design and execution of programmes to facilitate SME development should take into account their heterogeneity in respect of size, type of activity, geographical location and other factors. This requires different approaches for different sectors and target groups.

Denmark. LO: See reply to Question 9 above.

DA: See response to Question 9 above.

Egypt. Tariffs should be based on the size of the enterprises and the nature of activities.

EFTU: Yes.

Finland. Yes. SME policies should provide for good opportunities for the growth and development of business activities. The general conditions should be neutral so that their impact on business activities will, as far as possible, be independent of the size or form of the business.

France. In order to re-establish equal opportunity with large enterprises, it would be a good idea to provide specific measures as regards taxation and access to credit.

CFDT: Yes. The principle of equal social rights applying in both large enterprises and SMEs should be affirmed, even though the rules may sometimes need to be adapted. This should apply to all areas and in particular to all labour standards, including the right to freedom of association and to social security contributions.

Germany. BDA: (1) See under Question 1.

Ghana. TUC: Yes. SMEs should be able to provide productive, sustainable and fairly remunerated employment under adequate social conditions. Consequently, equal treatment is needed in all sizes and types of enterprises in all areas, as stated in 9(1). This should extend to the application of all labour standards.

Hungary. Yes, in accordance with national characteristics.

Iraq. GFTU: Yes.

Israel. Histadrut: Similar comments to those of Ghana — GTUC.

Italy. CGIL, CISL, UIL: The following policies should be promoted: intervention in taxation matters at least to render taxation neutral in respect of risk capital, with the objective of transparency in all aspects of taxation so as to overcome structural weaknesses that lead to irregular work, working conditions that are dangerous for the health and safety of workers, injustice, exploitation, and the denial of rights and protection; support and guidance as regards innovations, through the creation of efficient networks for the transfer of technology, research, training, and marketing; new infrastructures; new approaches to transportation, communications, international connections, and services; and the introduction of changes in financial services and policies relating to credit.

Japan. JTUC-RENGO: Yes. Policies to create sustainable employment opportunities must be strengthened.

NIKKEIREN: It would be appropriate to include the objective referred to in this question. However, the phrase "all ... types of enterprises" should read "all ... types of enterprises, taking into account each Member's particular local conditions".

Jordan. GFJTU: Yes.

FJCC: Yes.

Amman Chamber of Industry: Equal opportunities should be provided in such areas as access to credit, the application of specifications for products ready for direct sale, and adherence to health conditions and environmental conditions.

Kyrgyzstan. No. There should not be equal opportunities for enterprises as regards obtaining loans, credits and tax benefits since enterprises vary in their volume of production.

Lebanon. Yes. It is also important to take account of differences of size and the ability of enterprises to control their resources and maintain their accounts in such a way that they can gain access to such facilities. It may be necessary to take appropriate measures and create legal instruments to serve the interests of SMEs.

Lithuania. LDS: Similar comments to those of Ghana — GTUC.

Mexico. The instrument should include policies that encourage the creation of an environment in which enterprises of all types and sizes enjoy equal conditions, complemented by effective administrative deregulation and simplification of administrative procedures. Attention should be given to the establishment of specific programmes and support to ensure that SMEs effectively benefit from these policies of equality since their access also depends on other kinds of factors, such as timely information and internal organization.

New Zealand. The instrument should provide for policies that include the objective of creating an environment which provides equal opportunity for all sizes and types of enterprises. The framework of policies in New Zealand aims to create a stable economic environment in which all firms can operate, to enable them to apply their innovative and entrepreneurial skills and create jobs. This framework of policies aims to assist the development of all businesses regardless of size, sector, or location.

Niger. USTN: Yes. Such equal opportunity should also include the application of all labour standards, including the right to freedom of association and social security coverage.

SPEIN: Yes, even for family enterprises.

Norway. Presumably everyone — on a non-discriminatory basis — has equal rights to this.

Pakistan. PNFTU: Similar reply to that of Niger — USTN.

Peru. CATP: Yes. The instrument should provide for policies to promote SMEs.

Poland. Solidarnosc: Similar comments to those of Ghana — GTUC.

Qatar. Yes. The objectives should include the principles of ensuring equal opportunity in the indicated areas and there should be rules for the implementation of these policies.

South Africa. BSA: Yes. The instrument could provide for general policies which would foster an environment conducive to SME promotion and development.

Spain. A policy that is egalitarian in all respects could mean that difficulties in the areas referred to under Question 9(2) would persist.

Sri Lanka. CWC: Yes. Similar comments to those of Ghana — GTUC.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Senegal. CNTS: Yes.

Switzerland. Switzerland is considering legislation to improve the taxation regulations governing SMEs. One way of providing equal opportunity for all sizes and types of enterprises could be a proportional tax on profits. In comparison with the current tax scale which depends on productivity, this form of taxation would benefit SMEs, in particular those with limited equity capital.

USAM: The objective of such policies must be efficiency and not a hazy form of equal opportunity that has every chance of being wrongly understood and could even prove to be detrimental to the right of free enterprise, which constitutes the very essence of SMEs.

UCAPS: Yes, subject to the point expressed in Question 9.

USS: Similar reply to that of Niger — USTN.

Venezuela. Employers: Yes, making it clear that the equality of opportunity covers state enterprises to the same extent.

CGT: No.

Zaire. CDT: Similar reply to that of Niger — USTN.

With regard to subparagraph (1), a large majority of replies supported the proposed provision, although a small minority expressed the opinion that it might be more appropriate if SMEs were to receive preferential treatment in some aspects. A number of replies, particularly from workers' organizations, pointed out that in addition to the areas already mentioned there should be added reference to equal treatment in the application of international labour standards. The Office finds this suggestion appropriate and has consequently decided to add the words "ensure the equal application of labour laws" as clause (b) under subparagraph (1) of *Point 8* of the Proposed Conclusions.

(2) Should such policies also address commonly perceived constraints to the development and growth of SMEs, such as:

(a) insufficient access to credit?

(b) low levels of technical and managerial skill?

(c) inadequate information?

(d) low levels of productivity and quality?

(e) insufficient access to markets?

(f) inappropriate, inadequate or overly burdensome requirements applicable to SMEs as regards, for instance, registration, licencing and reporting?

(g) others? (Please specify.)

Total number of replies: 58.

Affirmative: 54. Argentina, Austria, Bahamas, Bahrain, Barbados, Brazil, Bulgaria ((a)), Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica ((a) to (e)), Cyprus, Czech Republic, Denmark, Dominica, Egypt ((a) to (e)), France, Hungary, Italy, Japan, Jordan ((a) to (d), (f)), Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar ((a) to (d)), Nicaragua, Niger ((a), (b), (f)), Norway, Oman ((a) to (e)), Panama, Peru, Philippines, Portugal, Qatar, Romania ((a)), Slovakia, Sudan, Suriname ((a)), Switzerland ((a), (c), (e)), Thailand, Turkey, United States, Uruguay, Venezuela.

Negative: 3. Australia, Bulgaria ((b) to (f)), New Zealand.

Other: 1. Belgium.

Australia. The instrument would become too prescriptive if it specifies policies to deal with perceived constraints affecting SMEs.

ACCI: Such policies should address each of the constraints identified in 9(2), especially (f) concerning burdensome requirements. However, the instrument should not advocate prescriptive outcomes in relation to these issues.

Austria. GMBE: Yes. In this regard, existing labour standards should be maintained, and in fact even developed further. Attempts should be made to incorporate international social clauses.

Bahamas. Yes.

Bahrain. (g) Taxation policies, if any.

Barbados. BWU: (g) Education and training; adequate social security measures.

Belgium. CNT: The constraints should not be interpreted as including the application of fundamental labour standards that are equally binding on SMEs, such as labour inspection (labour inspectorates having a specific advisory and information role to play vis-à-vis all enterprises).

Brazil. (a) to (f) Yes. (g) Policies should also refer to: (i) the frequent exclusion of SMEs from the focus of macroeconomic policies and the need for practical development of these policies; (ii) the fact that the tax burden is the same for both SMEs and large enterprises, although the impact is heavier on the former than on the latter; (iii) mechanisms for the transfer of income from SMEs to large enterprises, as in subcontracting; and (iv) the difficulty of access by SMEs to new technology and management techniques.

CNT: (g) Excessive taxes levied on the production and marketing of goods and services of SMEs. Also the fixed costs of SMEs in administering taxes, since these costs penalize SMEs more heavily than large enterprises.

Canada. (g) The constraints of the cost of information and the cost of accessing capital, particularly for SMEs in rural or remote areas, as well as awareness of and access to new technologies.

Chile. CONUPIA: (g) Technological obsolescence.

Colombia. CGTD: (a) Access to credit is difficult because the related requirements are excessive. (b) Yes, because this situation is very frequent and shortcomings in this area are detrimental to the development of SMEs. (c) Yes, because comprehensive information is fundamental for all types of enterprises. (d) Yes. For the above reasons there are low levels of production and productivity, and it is therefore necessary for current mechanisms to be updated and improved, with the understanding that all should serve to improve the situation of workers.

Czech Republic. Confederation of Art and Culture (KUK): Yes.

Confederation of Employers' and Entrepreneurs' Unions (KPZS CR): Yes.

Confederation of Industry and Transport (SPD CR): Yes.

CMK OS: Yes.

Cyprus. PEO: Yes. For the alleviation of these constraints government policy-makers should involve institutions, universities and the social partners and facilitate the execution of programmes related to these areas of constraint. At the same time governments should establish tripartite bodies and assign them responsibility for coordinating and evaluating the success of those programmes.

Denmark. DA: See reply to Question 9.

LO: See reply to Question 9. The instrument should also promote employees' participation, access to information and involvement in training planning in the enterprises.

Estonia. Estonian Confederation of Industry and Employers (ECIE): (a) to (c) Yes.

Estonian Small Enterprises' Association (ESEA): (a) to (c) Yes.

EATU: (a) to (f) Yes.

France. Yes. The main obstacles to be overcome in this area are (a) and (e), as well as administrative constraints affecting SMEs and, in some cases, an insufficient level of personnel skills at the technical and corporate management levels.

Ghana. TUC: Yes.

Germany. BDA: The policies provided for in the instrument should be aimed solely at offsetting disadvantages suffered by SMEs on account of their size; they should not include other more far-reaching protection or promotional objectives.

DGB: (g) Access to training possibilities for employees, to results of research and development, and to advisory services for employees and their representatives.

Hungary. (g) In the Central and Eastern European economies of transition, major impediments to the development of SMEs include the continuous decline of domestic purchasing power.

Iraq. GFTU: Yes to all except (f).

Israel. Histadrut: Constraints to the development and growth of SMEs do need to be addressed, as indicated in 9(2), with the provision that, with regard to (f), the reporting of working conditions and related issues, such as the obligation for frequent labour inspections or other requirements to ensure respect of workers rights, should not be interpreted as constituting "overly burdensome requirements" on SMEs. Equal treatment must also extend to the application of all labour standards, including the right to freedom of association, and to social security coverage.

Italy. (a) to (f) All these aspects should be taken into consideration as far as possible.

CONFINDUSTRIA: The creation of a favourable environment for the development of SMEs' fiscal and credit measures, as well as access to low-interest credit, are both necessary.

Japan. (c) However, the information should be limited to those measures to be provided by the administration. (g) Delays in information orientation in terms of both software and hardware; excessive competition as a result of deregulation.

JTUC-RENGO: Yes. However the contents of (f) need to be more specific.

NIKKEIREN: It is appropriate to address the constraints listed in (a) to (f). The instrument should also refer to the point that a large part of the problems in (b) to (e), in particular, should be solved through the efforts of SMEs themselves. (g) Difficulty in recruiting and retaining competent employees.

Jordan. GFJTU: Yes.

FJCC: Yes.

Lebanon. Policies should address all the perceived constraints as indicated, which often hinder the development and growth of SMEs; but some constraints on the development of SMEs may be warranted because of the importance of controlling growth and ensuring viability.

Lithuania. LDS: Similar comments to those made by Israel — Histadrut.

New Zealand. No. The instrument should not address perceived barriers: there is likely to be substantial variation in perceived constraints amongst member States, and the instrument should recognize that while constraints exist for SMEs, these vary across industries and countries. Each country should be allowed to develop relevant policies that address constraints to SMEs in a manner consistent with national policy.

Nicaragua. The public institutions responsible for the services referred to should provide assistance free of charge.

Niger. USTN: (f) The reporting of working conditions and related matters such as the obligation to undergo frequent labour inspections or other requirements concerning the observance of workers' rights should not be considered as being "overly burdensome" for SMEs. The development of workers' organizations covering the SME sector should be added as a matter which policies should address.

SPEIN: (a) to (f) Yes.

Norway. See reply to Question 9(1).

Panama. (g) Encourage the adoption of specific policies to integrate the informal sector into the formal sector.

National Union of Small and Medium-Sized Enterprises (UNPYME): Yes to all except (d) and (e).

Pakistan. PNFTU: Yes, but the reporting of working conditions and related issues such as the obligation for frequent labour inspections or other requirements concerning the respect of workers' rights should not be interpreted as constituting "overly burdensome requirements" for SMEs.

Poland. Solidarnosc: Similar comments to those of Israel — Histadrut.

Portugal. (g) The instrument should also provide for policies to resolve difficulties concerning organization, marketing, production technologies, information technologies and telecommunications.

CCP: Yes. In particular, the provisions in respect of (f) should be strengthened.

Qatar. Yes. Small enterprises are sometimes set up without a sound evaluation of the requirements related to the business, which may be detrimental to both the enterprises and their workers.

Slovakia. The instrument should support policies oriented to removing disincentives to the development of SMEs. (g) Problems of scientific and technology transfer, and the application of advanced products and technologies.

Sri Lanka. CWC: Similar observations to those of Israel — Histadrut.

Suriname. (g) Insufficient or high priced working space.

Sweden. LO: (a) Yes, possibly. (b), (e) and (f) No. This would mean a distortion of competition and an inefficient utilization of resources. (c) and (d) Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Senegal. CNTS: Yes, but in (f) the "overly burdensome requirements" should not include the obligation for frequent labour inspections, and the requirements associated with respect for workers' rights.

Switzerland. The instrument should make provision for policies promoting to the greatest possible extent the development of newly established SMEs. Efforts should be made to avoid too many obstacles being put in the way of their entry to the market (e.g. cartels), making it impossible for them to achieve sufficient maturity to establish themselves, or even simply making it impossible for them to survive. Other problems concerning access to credit and information should not be disregarded.

USAM: Yes, in so far as these points are considered only as suggestions, and not as inescapable elements of the policies examined in this question.

FSP: The areas listed deserve the attention of the Conference, but they could render the instrument excessively specific. Furthermore, as situations vary from country to country, it is not possible to formulate policies suitable for every situation that arises.

USS: (f) Yes, on condition that the provision of information on working conditions and related matters, such as frequent labour inspections and other requirements with respect to workers' rights, are not interpreted as being "overly burdensome" for SMEs.

Turkey. TÜRK-IS: No.

United States. USCIB: The most appropriate areas for the instrument to address are (a) and (f), although it is difficult to determine without more details.

Workers: (f) It is true that there are cases of inappropriate, inadequate or overly burdensome requirements applicable to SMEs as regards, for instance, registration, licensing and reporting and that these can constitute a constraint to the development and growth of SMEs. However, such requirements fulfil functions such as protecting consumers. It may be possible to achieve some short term savings by sweeping aside licencing and other regulations to encourage business formation and jobs, but there may be a high cost in social welfare. (g) The lack of effective demand in many developing countries stemming from an unequal income and wealth distribution may well act as another constraint to the development and growth of SMEs. Many small businesses are constrained in their growth because there are not enough customers for their goods or services.

Venezuela. (g) In addition, consideration should be given to strengthening credit institutions geared to this sector. Technical cooperation among such organizations should be facilitated and more flexible access provided to sources of credit in terms of procedures and documentation.

CGT: No.

Employers: (g) In addition to the items listed, the progressive application of regulations should be envisaged, and progress should be monitored.

Zaire. CDT: Yes, on condition that the provision of information on working conditions and related matters, such as frequent labour inspections and other requirements with respect to workers' rights, are not interpreted as being "overly burdensome" for SMEs. (g) Areas that should especially be addressed are the extension of labour inspection and the development of workers' organizations with a view to covering the informal sector.

The replies expressed overwhelming support for the provision that policies should address commonly perceived constraints, with a large majority agreeing to all the constraints suggested. Some replies suggested a number of other constraints which might need to be tackled, including, in particular, access to new technologies. Some replies, mainly from workers' organizations, also expressed the wish that it be clarified that the reference to "overly burdensome requirements" in clause (f) should not be interpreted as intended to include labour inspection, the reporting of working conditions and related issues. The Office feels that these suggestions are both justified and they have been incorporated in the Proposed Conclusions through the addition of the following amendments: (i) the words "difficulties in access to new technologies" have been added as clause (f); (ii) the words "without prejudice to the effectiveness of labour inspections, and the system of supervision of working conditions and related issues" have been added to clause (g).

The amended text has been included as subparagraph (2) of *Point 8* of the Proposed Conclusions.

(3) Should the instrument encourage the adoption of specific policies aimed at upgrading the informal sector to become part of the organized sector?

Total number of replies: 50.

Affirmative: 45. Argentina, Austria, Bahamas, Bahrain, Barbados, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, China, Colombia, Costa Rica, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Finland, France, Hungary, Jordan, Kenya, Kuwait, Kyrgyzstan, Malaysia, Mauritius, Mexico, New Zealand, Nicaragua, Niger, Oman, Panama, Peru, Philippines, Portugal, Qatar, Sudan, Suriname, Thailand, Turkey, United States, Venezuela.

Negative: 3. Chile, Malta, Romania.

Other: 2. Australia, Lebanon.

Australia. See reply to Question 6(c). With regard to policies aimed at upgrading the informal sector, Australia is working to put pressure on sectors where tax avoidance and social security fraud may prevail.

ACCI: Care must be taken to ensure that the flexibility and employment-creating capacity of the informal sector are not impaired by proposals to "upgrade" that sector.

Bahamas. Yes. It is an appropriate recommendation for the fostering of sustainable development.

Brazil. Yes, but the main difficulty is how to promote this integration.

Canada. Yes, as well as identifying the reasons for the existence of the informal sector or underground economy and measures to encourage the formalization of this sector as a stimulus to the economy.

Chile. CONUPIA: Yes.

Colombia. CGTD: Yes. The greater the level of integration the greater the possibilities of development.

Costa Rica. Yes, with the aim of stimulating the development of the informal sector.

Cyprus. PEO: Yes. Such policies may include fiscal policies, and policies giving access to finance and credit facilities. Trade strategies should also be introduced so that the constraint of limited and irregular supply of raw materials which SMEs are facing is removed. These strategies should include simplified administrative procedures, effective SME protection, and the removal of biases against small enterprises.

Czech Republic. KPZS CR: No.

Denmark. DA: No.

Egypt. The instrument should include data aimed at upgrading the informal sector to allow it to benefit from the advantages of the formal sector.

Estonia. EATU: Yes.

Finland. The business activities of the informal sector bring distortions in competition, and that is why its share should be reduced. The ILO can have an impact on the matter so that these activities are gradually made part of the formal sector.

France. Yes. These policies should also be aimed at upgrading the informal sector to enable it to become part of the organized sector.

CFTD: The focus for the informal sector should be placed on the development of employers' organizations and on labour inspections.

Germany. BDA: The instrument should not limit the sphere of action by imposing specific policies. It should mention specifically that the task of upgrading the informal sector is the exclusive domain of national policy.

DGB: Question 9(3) is not clear.

Ghana. TUC: With regard to 9(3), the instrument should incorporate specific policies to upgrade the informal sector for it to become part of the organized sector, particularly through the promotion of workers' organizations and the application of labour inspection.

Israel. Histadrut: Similar observations to those of Ghana — GTUC.

Japan. JTUC-RENGO: Yes.

NIKKEIREN: Yes. The instrument should encourage such policies as referred to in this question in the light of raising the levels of productivity, efficiency and competitiveness of the informal sector. Such policies will be effective in developing countries in particular.

Kyrgyzstan. It is necessary to pursue policies aimed at upgrading the informal sector since it faces considerably more complicated problems of development than the enterprises of the formal sector.

Lebanon. The instrument should refer to the importance of adopting specific policies aimed at protecting the informal sector, while leaving it to each State to determine the extent and scope of these policies according to national conditions.

Lithuania. LDS: Similar observations to those of Ghana — GTUC.

Malaysia. MLO: Not necessarily.

New Zealand. If an instrument is developed, it should encourage the upgrading of the informal sector, subject to the comments made in the reply to Question 5.

Niger. SPEIN: As far as possible. The informal sector represents 90 per cent of economic activities in Niger.

Pakistan. PNFTU: Similar observations to those of Ghana — GTUC.

Peru. Specific policies should be adopted, but with the objective of establishing links between the formal and the informal sectors, since the former is one of the strongest consumers of goods and services of the latter, which must result in an improved level of employment in informal sector enterprises and thus a better standard of living for workers in that sector.

Qatar. Yes, provided that these policies are adopted in accordance with the situation in each country and in a way that guarantees job continuity for the workers in the informal sector.

Senegal. CNTS: Yes.

South Africa. BSA: The emphasis should be placed on encouragement, but the movement from the informal to the formal sector must be voluntary.

Sri Lanka. CWC: Similar observations to those made by Ghana — GTUC.

Suriname. Yes, but these policies must not force workers in the informal sector into becoming part of the formal sector.

Switzerland. USAM: This approach entails the risk of raising people's hopes: a sector is informal often because it cannot be organized.

FSP: This question raises the problem of whether the various policies referred to in the ILO background report increase or restrict SMEs' room for manoeuvre.

UCAPS: Similar scepticism to that expressed in the FSP reply.

USS: Yes, especially as regards the extension of labour inspection and the development of workers' organizations so that they cover the informal sector.

United States. USCIB: No.

Uruguay. Employers: No. The concept should be defined in each country on the basis of its social and economic circumstances.

Venezuela. Yes, in order to prevent growth of the informal sector and to integrate it fully as regards fiscal matters, working conditions, and social and commercial aspects.

Employers: Yes. See replies to Questions 6(c) and 9(2)(g).

Almost all the replies were affirmative, although a small minority expressed some reservations about how realistic the envisaged provision is. Some replies, particularly from workers' organizations, argued for the incorporation of specific policies in the instrument to upgrade the informal sector for it to become part of the organized sector, particularly through the promotion of workers' organizations and the application of labour inspection. Since the organization of workers in the SME sector is covered later in the instrument, and since the inclusion of detailed policy recommendations would substantially expand the Point, the Office has decided to retain the original wording, subject to discussion at the Conference, as subparagraph (3) of *Point 8* of the Proposed Conclusions.

Qu. 10 *Should such policies be formulated with due consideration to and in full coordination with other policies in such areas as fiscal and monetary matters, trade and industry, employment, labour, social protection and occupational safety and health?*

Total number of replies: 62.

Affirmative: 60. Argentina, Australia, Bahamas, Bahrain, Barbados, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Czech Republic, Dominica, Egypt, Estonia, Finland, France, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar, Netherlands, New Zealand, Nicaragua, Niger, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 1. Denmark.

Other: 1. Bangladesh.

Australia. There needs to be complementarity and consistency among the various elements of government policy. The Australian Government is maintaining an integrated framework of policies to foster industry development, namely a balance of macroeconomic and micro-economic policies combined with proactive industry development measures. Personal and business taxation issues should be included with matters associated with general fiscal management and having implications for national budgets.

ACCI: Yes. Whilst the importance of SMEs and employment would be recognized by the adoption of an instrument, it should be remembered that such enterprises are but one part of a nation's economy and do not operate in isolation. Where necessary, such policies may have to be subjugated to the needs of the wider economy. It should be expressly recognized in any instrument that its provisions may at times be overridden by broader economic goals when necessary. For example, in times of budgetary crisis or when general cost cutting is necessary, specific programmes targeted to improve employment in SMEs may have to be abandoned or cut.

Austria. GMBE: Yes.

Bangladesh. See Question 8.

Bahamas. Yes.

Bangladesh. See Question 8.

Barbados. Yes. The policies would have some impact on those areas identified, and since SMEs are part of the wider economic environment, adequate provision must be made in these areas.

Belgium. Yes. A policy regarding SMEs must take into account the various development stages of an enterprise: establishment, development, diversification or stabilization, succession or sale. Thus, an "integrated policy" for SMEs means an across-the-board approach in all government policies relating to enterprises in order to examine whether the specificities of SMEs need to be taken into account in them.

Canada. Yes. Policies which support the SME sector, if they are to be effective, should be integrated into other policy matters as defined here. The word "full" should be deleted from "full coordination" as a more achievable ideal.

CEC: No, for the reasons stated earlier. Furthermore, implicit in this question is the assumption that employees in the SME sector are at serious risk of exploitation or abuse. In reality, in most developed nations like Canada, employment law, health and safety requirements, labour legislation, human rights, safeguards and constitutional guarantees at federal and provincial levels are applicable to employers and employees in SMEs just as they are to large enterprises. Where there is abuse or exploitation, this becomes a matter of effective enforcement of existing rules, or for trade unions to intervene on behalf of their members. New policy formulation would have the adverse effect of further inhibiting the development of strong and viable SMEs that can effectively compete and thereby create jobs. In countries where similar high standards of legislative safeguards do not exist, rules governing labour, social protection and workplace safety and health should be upgraded.

Central African Republic. Yes.

Chad. CST: Yes.

Chile. Yes. Macroeconomic policies (monetary, financial policy, etc.) are all part of the environment in which enterprises operate. Policies designed for SMEs should be consistent with macroeconomic policies.

CONUPIA. Yes. Encouragement should be given to coordinating the various areas of the economy with these policies.

Colombia. CGTD: Yes. As mentioned previously, the more coordinated the monitoring of SMEs, the better, because experience has shown that SMEs individually act in their own best interests, which can be very detrimental for industrial development and ultimately for their own workers.

Costa Rica. Yes. Thought should be given to an across-the-board development approach covering as many areas as possible.

Cyprus. PEO: Yes. Comprehensive plans or programmes for SMEs are needed, which should be coordinated by a government ministry or by a department within a ministry.

Denmark. No. See general observations.

AC: Yes.

LO: Yes.

Dominica. Yes, since they are pertinent to the concept of policy formulation.

Finland. Yes. Special consideration should be given to employment, labour force, social protection and occupational safety and health.

France. Yes. SME development is the result of voluntary and coherent policies carried out in relevant areas such as industrial policy, fiscal policy, employment and industrial relations, all of which are interrelated.

Germany. BDA: The instrument should stress the responsibility of individual States for the harmonization of policies conducted in various fields.

Ghana. TUC: Yes. Policies in this area should be formulated to ensure their compatibility with priority government policies, particularly in such areas as employment, labour, social protection and occupational health and safety.

Israel. Histadrut: Yes. Similar comments to those expressed by Ghana — GTUC.

Italy. CGIL, CISL, UIL: Policies in the areas listed should be regularly revised in order to maintain the international profile of SMEs by way of agreements for technical, production and commercial collaboration in a flexible manner. From the point of view of recognition, there is a need for trade unions to play an active role as regards prospects for dependent work and for new forms of subordinate work.

Japan. JTUC-RENGO: Yes. In particular, it is important to approach the issues such as employment, labour and social guarantees and occupational health and safety from the perspective of fair labour standards.

NIKKEIREN: Yes.

Jordan. Yes. Full coordination is necessary to ensure the success of the instrument.

FJCC: Yes. Special legislation should be enacted in full coordination with such policies.

Kuwait. Coordination is very important in promoting SMEs which attract young people and reduce the number of applicants for government jobs, which is considered to be one of the most important obstacles to administrative reform in many developing countries.

Kyrgyzstan. Yes. Such policies should be formulated with due consideration of the informal sector's needs; this will make it possible for enterprises in the sector to make use of special credit programmes and simplified administrative methods. A solid material and technical support basis for these enterprises can lead to a more advanced production process as well as create the necessary conditions for obtaining credits or government investments. The furthering of this policy will facilitate the solving of problems of unemployment and job creation for the population. Nevertheless, this policy should take into account the need to adopt and observe safety and health standards.

Lithuania. LDS: Yes. Similar comments to those expressed by Ghana — GTUC.

Mauritius. Yes. These policies need imperatively to address the issues mentioned in Questions 9 and 10. This is of utmost importance in policy formulation, and for fostering the integration of SMEs into the larger industrial structure. Of course, these policies need to take cognizance of monetary and fiscal measures implemented by government.

Mexico. Yes. The establishment of support programmes and bodies will help coordinate and link various public and private policies and institutions to promote the development of SMEs in various spheres.

Myanmar. Yes, because many workers in SMEs are excluded from health insurance and insurance against loss of income.

Netherlands. The policy geared to small-scale organizations should be developed in accordance with general policy in the other fields listed, because inconsistencies in policy have a negative effect on small-scale labour organizations in particular.

New Zealand. Yes. SME policies should be coordinated with all other policies. As mentioned earlier, the key to job creation in SMEs is ensuring that all relevant government policies provide a supportive environment for all enterprises, including SMEs.

Nicaragua. Yes, because the coordination of economic and social policies is extremely important for the development of companies.

Niger. Yes, since avoiding disparities will lead to harmony.

SPEIN: Yes. This is imperative; otherwise there is too much disparity and this leads to injustice.

USTN: Yes. Similar comments to those of Ghana — GTUC.

Pakistan. PNFTU: Yes. Similar comments to those of Ghana — GTUC.

Panama. UNPYME: Yes. The need for labour flexibility also plays a considerable role in the competitiveness of small enterprises.

Peru. Yes. Account should be taken of fiscal matters and access to credit by the informal sector, since this leads to improvements in the quality of employment and the standard of living of persons working in this sector.

CATP: Policies to promote SMEs should necessarily be coordinated with other policies in such areas as trade and industry, farming, fiscal and monetary matters, exchange rates, employment, social security, health services, etc.

Poland. Solidarnosc: Yes. Similar comments to those expressed by Ghana — GTUC.

Portugal. Yes. In Portugal the Institute for the Support for Small and Medium-Sized Enterprises, under the Ministry of the Economy, takes into account the coordination needs to which this Point refers.

Qatar. Yes. Taking account of these other policies within a general and integrated framework will ensure that sound measures are taken in this field and that possible negative effects are minimized.

Senegal. CNTS: Yes. Similar comments to those of Ghana — GTUC.

Spain. Yes.

Sri Lanka. CWC: Yes. Similar comments to those expressed by Ghana — GTUC.

Suriname. Yes. The policies to promote efficient and competitive SMEs will work only if they are in line with the other policies.

Sweden. LO: Yes.

Switzerland. Yes.

UCAPS: Yes, but taking a deregulatory approach.

USS: Yes. Similar comments to those of Ghana — GTUC.

Turkey. Yes. In order for the various fields of policy to be formulated in conformity with the instrument, the latter should take into account all the related aspects of social life.

TISK: Yes. During the formulation of such policies, the other policies cited should be considered together in order to ensure their coordination. Economic, social and financial assistance will be successful only if they complement each other harmoniously. Furthermore, legal regulations which hinder entrepreneurship should be avoided.

TUSK-IS: Yes, especially employment, labour, social protection and occupational safety and health.

United States. USCIB: Yes and no. Before any new policy is implemented, implications for existing policies should be considered. The best mechanisms for enabling an enterprise culture are a stable economic environment (i. e. low inflation, predictable tax rates), and government enforcement of property rights and contract law. Efforts to promote an enterprise culture through the setting of standards for working conditions, socially desirable business practices, etc. may serve legitimate social objectives, but are not effective ways of aiding an enterprise culture.

Workers: Yes. Such policies should consider employment, social protection and occupational safety and health. Often, entrepreneurs are, for example, willing to despoil the environment or abuse their workers in pursuit of business success. There has to be a balance.

Venezuela. Yes, having first set up a coherent comprehensive economic plan in the areas of fiscal and monetary matters and trade to provide a favourable environment, together with specific measures to strengthen SMEs.

Employers: Yes. In Venezuela, regulations and policies are designed on the basis of large enterprises, but it should be as stated under Question 9(2)(g).

CGT: No, since the composition and operation of SMEs are such that they need special treatment for their promotion and development.

Zaire. CDT: Yes. Similar comments to those of Ghana — GTUC.

Since virtually all replies are affirmative, the Office has decided to retain the envisaged provision as subparagraph (2) of *Point 10* in the Proposed Conclusions.

Qu. 11 *When formulating the policies referred to in Question 9 above should the government consult:*

(a) the social partners?

Total number of replies: 61.

Affirmative: 57. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, China, Colombia, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, Finland, France, Germany, Hungary, Italy, Kenya, Kuwait, Kyrgyzstan, Jordan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, Nicaragua, Niger, Norway, Oman, Peru, Philippines, Poland, Portugal, Qatar, Romania, Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 0.

Other: 4. Bangladesh, Latvia, New Zealand, Japan.

(b) other concerned parties such as non-governmental organizations, small enterprise development institutions and academic bodies?

Total number of replies: 62.

Affirmative: 58. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Costa Rica, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, Finland, France, Germany, Hungary, Jordan, Italy, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, Nicaragua, Niger, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Venezuela, Yemen.

Negative: 0.

Other: 4. Bangladesh, Japan, New Zealand, Uruguay.

Australia. ACCI: (a) Yes. In formulating policies of the type addressed in Question 9, governments must necessarily consult widely. The policy areas potentially affected will involve a range of interest groups. Thus governments should consult the social partners and other concerned parties. Priority should be given to consulting the most representative groups speaking for SMEs and their employees. (b) Yes. It is possible that this will not be the social partners in all cases. In such situations, the parties should be consulted, but their views should not be allowed to override those actually representing employers and employees in SMEs.

Austria. Yes. Consultation with social partners is to be particularly encouraged.

Bahamas. (a) This is imperative in order to achieve the proposed objectives.

Bangladesh. See Question 8.

Belgium. (a) Yes. However, this presupposes that SMEs are fairly represented in all existing fora where exchanges of opinion and dialogue take place. It seems difficult to involve the social partners in debates on policies concerning SMEs without the same principle also applying to SME representatives when opinions are being formulated on the other policies concerning large enterprises. (b) Where necessary, depending on the expertise and representativeness of these occasional partners, bearing in mind that such consultations cannot take the place of social dialogue between the social partners, including SME representatives.

CNT: (a) Yes. (b) Yes, though the consultation of other concerned parties cannot be allowed to call into question the role of the social partners and must take place on a case-by-case basis according to the terms of reference of these various bodies.

Brazil. (a) Yes. The government should have as its major interlocutors the representative employers' and workers' organizations of SMEs, as well as the SME advisory and support services, non-governmental institutions, research centres and other interlocutors which have made contributions to the development of SMEs. Such consultations should be on a tripartite basis. (b) Yes. See reply to Question 11(a).

Canada. (a) Yes, where appropriate. (b) Yes.

CEC: Yes. Appropriate consultations with representatives of SMEs and associations acting on behalf of SMEs should be an ongoing government activity. These representatives are best positioned to outline issues of concern to this sector.

Chile. CONUPIA: (a) Yes, if "social partners" is taken to mean the employers of small enterprises and their organizations. (b) Yes, with attention being given to comparing their replies with those of other parties previously mentioned, and to identifying the areas where what has been forecast actually becomes reality.

Colombia. CGTD: Yes. The ILO's example should be followed and a tripartite body should be set up which would be responsible for studying, planning and coordinating all related aspects.

Costa Rica. (b) As well as banks, organizations of a cooperative nature and associations.

Cyprus. (b) Yes, since the successful implementation of these policies depends to a large extent on their acceptance by all interested parties, and in particular the social partners.

PEO: The government should not only consult the partners but encourage their active participation in all aspects of planning, design, and evaluation of such policies. (b) The harmonization of fragmented regulations, programmes and institutions is the key to the support of SMEs. For the formulation of these policies within the private sector there can be many changing players, including chambers of commerce, trade associations, consultants and academic bodies.

Denmark. (a) If Question 9 is adopted the reply is yes. Consultation with the social partners is a central element of the Danish model. (b) If Question 9 is adopted, the reply is yes.

LO: (a) Yes, the representative organizations on both sides. (b) Yes, but not in fields where the social partners have competence.

Finland. (a) Yes. In developing the conditions for the operation of SMEs it is vitally important to know the problems of SMEs and the effects of different measures on them. (b) Yes. See reply to Question 11(a); governments should therefore consult labour market organizations, industrial organizations and other concerned parties.

France. (b) Bodies specializing in SME development.

CFDT: (a) and (b) The government should first and foremost consult the representative organizations of employers and workers in accordance with ILO practice.

Germany. (a) and (b) In principle, yes. The consultation of social partners and "other concerned parties" is appropriate and common practice in Germany.

BDA: (a) In general, the policies referred to in Question 9 do not concern the social partners. (b) The consultation of non-governmental organizations, small enterprise development institutions and academic bodies is advisable, provided that they are competent interlocutors.

Ghana. TUC: (a) Yes. In the formulation of all its policies in this area, the government should consult as a matter of priority representative employers' and workers' organizations. Privileged consultation with these groups is appropriate, since they represent the economic actors whose actions provide the basis of a thriving economy. (b) Yes. In addition, consultation with other concerned parties could be envisaged, where appropriate, on a case-by-case basis.

Israel. Histadrut: (a) and (b) Yes. Similar comments to those expressed by Ghana — GTUC.

Italy. (a) Yes. (b) Yes, if this is in accordance with national legislation and practice.

CGIL, CISL, UIL: It is imperative for each State to consult the social partners as well as universities and research bodies responsible for the dissemination of technical standards and quality control and hence which help promote quality levels in SMEs.

Japan. Reserves its reply to this question. The range of non-governmental organizations could be very extensive, even when it is limited to the parties concerned. For this reason, the Office is requested to define the range of non-governmental organizations.

JTUC-RENGO: (a) Yes.

NIKKEIREN: (a) The government should consult the social partners. (b) Depending on each Member's particular local conditions, and where necessary for the formulation of policies, it should be possible for the government to consult appropriate parties concerned. However, the scope of the "concerned parties" should be carefully examined.

Kenya. Yes. This is in line with the policy of tripartite consultation.

Kyrgyzstan. (a) Yes. The government should strengthen contacts between ministries and governmental bodies of similar profile, and expand cooperation with trade unions and employers' associations. (b) Yes. It is important that ministries and state agencies take measures to formulate and execute special programmes in support of SMEs in consultation with non-governmental organizations of employers and workers concerned, scientific and academic centres, and other bodies.

Latvia. When a government plans a strategy for job creation in SMEs, account should be taken of consultations with the social partners in respect of labour relations and socio-economic questions.

Lebanon. (a) and (b) Consultation should take place between the government and social partners and with any other parties the government may wish to consult, when formulating the policies referred to in Question 9 above, but the instrument should not refer to any particular party.

Lithuania. LDS: (a) and (b) Yes. Similar comments to those of Ghana — GTUC.

Mauritius. (b) The close collaboration of other economic partners in the country should also be sought in policy formulation and should be ongoing, with a review of the impact of policies as and when necessary.

Mexico. (a) and (b) There should be consultations with the social partners, as well as with non-governmental organizations, small enterprise development institutions and academic bodies, but in a spirit of flexibility so as to provide solutions which are immediately accessible, and to enable the establishment of medium and long-term programmes with the same objectives. Policies for the integration of the informal sector into the formal sector would require open consultations with all the social partners.

Netherlands. (a) and (b) Yes. The social partners as well as other pressure groups such as NGOs, SME organizations and scientific institutes, should be consulted on the development of this policy.

VNO-NCW: No objection to the involvement of organizations and institutions that could contribute to the establishment of a serious government policy.

New Zealand. (a) Consultation about any changes in policy or legislation should be conducted in accordance with national practice. In New Zealand the Government regularly consults interested parties on issues of interest or relevance to those parties, and receives submissions from the public when formulating or reviewing policies.

Nicaragua. (b) Yes.

Niger. (b) Small enterprise development institutions.

USTN: (a) Yes. Priority should be given to representative organizations of workers and employers in consultations. (b) Yes, there should be consultation with other concerned parties on a case-by-case basis.

Pakistan. PNFTU: (a) and (b) Yes. Similar comments to those of Ghana — GTUC.

Panama. UNPYME: Consultation should mainly be with the following: NGOs representing SMEs; private banks; national universities; and other technological training centres.

Peru. CATP: (a) Yes, through a specialized official body. (b) Yes, other concerned parties such as non-governmental organizations, international institutions and academic and technical bodies and universities.

Philippines. (b) Others could include financial institutions and industry associations.

Poland. Solidarnosc: (a) and (b) Yes. Similar comments to those of Ghana — GTUC.

Senegal. CNTS: (a) Yes. (b) Yes, where appropriate and on a case-by-case basis.

Sri Lanka. CWC: (a) and (b) Yes. Similar comments to those of Ghana — GTUC.

Sweden. LO: (a) Yes. (b) Yes.

Switzerland. (a) Yes, the social partners and the economic sectors concerned, in accordance with national practice. (b) Yes, see reply to Question 11(a).

USS: (a) and (b) Yes. Similar comments to those of Ghana — GTUC.

USAM: Yes, but for NGOs this should depend on their activities and on individual countries.

UCAPS: Yes, as a matter of priority. (b) Yes, with the exception of NGOs (except if this designation refers to associations of the social partners).

Turkey. (a) and (b) In formulating such policies, governments should consult the social partners, non-governmental organizations and other economic and academic bodies.

Uruguay. Employers: (b) Delete the words "and academic bodies".

Venezuela. Employers: (a) Yes. (b) Yes, to hear views and promote analysis and studies of SMEs in academic establishments.

Zaire. CDT: (a) and (b) Yes. Similar comments to those of Ghana — GTUC.

Both subparagraphs (a) and (b) received overwhelming support. In regard to subparagraph (b), a number of comments, mainly from employers' and workers' organizations, expressed the view that while broad consultation is, where appropriate, to be welcomed, priority should be given to consulting representative employers' and workers' organizations. The scope of the "other concerned parties" to be consulted also drew a number of comments, ranging from requests for clarification as to who is to be included, to suggestions of bodies that could be added. Specific suggestions include financial institutions, scientific and research bodies, technological institutes, and labour market organizations. Other suggestions indicated more broadly bodies, associations and development institutes concerned with the development of SMEs.

The Office finds these suggestions appropriate, and consequently, the text has been amended by emphasizing the priority which should be given to consultation with the social partners by including the words "... consult, in addition to the organizations referred to in *Point 9(3)* above, other concerned parties ...", since *Point 9(3)* makes reference to "the most representative employers' and workers' organizations as well as with the representative organizations of the employers and workers concerned, if they exist, ...". The list of examples of possible parties to consult has also been extended by adding the words “other concerned parties such as …, and others as considered appropriate”.

The provision contained in Question 11, as amended, is now the subject of *Point 10(1)* of the Proposed Conclusions.

Qu. 12 *Should the instrument encourage governments to:*

(a) undertake a major review of the impact of existing policies and regulations on SMEs?

(b) undertake a review, in consultation with the social partners, of labour regulations to determine whether they meet the special needs of SMEs and their workers?

(c) undertake a review of the existing mechanisms for social protection to determine whether they meet the needs of SMEs and their workers, and, where appropriate, consider a range of supplementary measures such as voluntary schemes, cooperative initiatives and others?

(d) establish mechanisms to review and update, on a regular basis, existing and proposed policies?

Total number of replies: 64.

Affirmative: 60. Argentina, Australia ((a)), Austria, Bahamas, Bahrain, Barbados, Belgium ((b) to (d)), Brazil, Bulgaria, Burundi ((a), (b), (c)), Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica ((a), (b), (c)), Czech Republic, Cyprus, Denmark, Dominica, Egypt, Estonia, Finland ((a), (b, (c)), France ((a)), Hungary, Italy, Jordan ((c) and (d)), Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, Nicaragua ((a), (c), (d)), Niger ((a) to (c)), Norway, Oman, Panama, Peru, Philippines, Poland ((a) and (d)), Portugal, Qatar, Romania, Slovakia, Spain, Sudan, Suriname, Switzerland ((a) and (c)), Thailand, Turkey, United States, Uruguay, Venezuela, Yemen ((a) and (b)).

Negative: 4. Australia ((b), (c), (d)), France ((d)), Poland ((b) and (c)), Germany ((a) and (b)).

Other: 7. Bangladesh, Belgium ((a)), France ((b) and (c)), Japan, New Zealand, Nicaragua ((b)), Switzerland ((b)).

Argentina. The instrument should encourage the follow-up and constant review of policies, instruments and standards in each country, by government and through consultation with the social partners.

Australia. (a) Yes, regulations and their compliance are an important factor affecting SME performance. They can impose severe financial and administrative costs on SMEs. (b) No. Australia does not see a need for the instrument to recommend specifically that countries undertake new reviews in this area over and above steps being taken already by national governments (including Australia) to examine policy aspects and to implement changes as a result. (c) No. As for 12(b). (d) No. The requirement that the instrument should encourage the review of policies is too prescriptive. Rather, it should note that an important feature of the policy development process would be a consideration of the impact of policies on SMEs.

ACCI: Yes, each of these matters is a worthy policy goal for governments to pursue. The instrument should encourage governments to review these areas.

Austria. In principle there is no objection to a review of labour regulations, taking into account the particular features and requirements of SMEs. In such a review, however, objective, justified differentiations should be made. The review should in no way result in an erosion of worker protection.

Bahamas. Yes.

Bangladesh. See Question 8.

Belgium. (a) There is a real difficulty involved in formulating a conceptual framework which allows the incidence of adopted policies to be measured from both a quantitative and qualitative point of view. Ex post evaluation is much easier than the ad ante variety. It would appear more realistic to make provision in the various policies for limited periods of application during which evaluations should be carried out before their possible renewal. (b) As soon as one goes from an economy dominated by large enterprises to one structured much more on SMEs, it is necessary to examine whether the legislation adopted for a given economic structure corresponds to the prevailing needs of SMEs. It is not that workers in SMEs are any different from those in large enterprises, but work is organized in a different manner. Thus it is the adjective "special" which is important in the wording of this question. (c) Yes, a long-term view is necessary, since social protection measures must remain financially viable. Furthermore, global factors such as for example birth rates, life expectancy, population growth and the way individuals see their professional careers, have a definite impact on the way social security systems are financed. These systems in turn affect wage costs. (d) Yes.

CNT: (b) No. This must not be used to call into question the application of international labour standards to these enterprises (See Chapter 3 of Report V(1), page 31: "The ILO opposes any kind of deregulation which abrogates the most essential protective legislation or opens the way to unsatisfactory or exploitative conditions".)

Brazil. Account should be taken of data accumulated through academic studies and research, and by the advisory and support services for SMEs.

Canada. (a) Yes, this is important if there is to be an understanding of how governments can provide the most efficient and effective support to promote, foster and enhance the development of the small business sector. It would also be important to encourage governments to assess all new legislation and regulations taking into account their impact on SMEs. (b) to (d) Yes.

CEC: (a) to (c) No. (d) No. Reviews of existing labour regulations to determine whether these meet the special needs of SMEs and their workers are unnecessary in most developed countries as employer/employee relationships are already covered under existing sophisticated labour regulations. Nor is there any suggestion that existing regulations do not adequately meet the needs of SMEs and their workers. However, governments should regularly consult with SME employers and their representative associations regarding over-regulation and rules that are administered with little consideration to their impact on the competitiveness of SMEs. The government's objective should be to reduce regulations, simplify reporting requirements and related paperwork, limit information requirements and in other ways to "get out of the way" so that SMEs can focus on creating wealth and jobs. Rather than contemplating a new or expanded instrument, the ILO should review existing policies and regulations that add to the employment-related regulatory burden of SMEs. This will save the government money and will yield tremendous benefits in terms of SME productivity and competitiveness. The goal of such a review should be the removal of unnecessary regulations and the rationalization of existing ones, and support for regulatory flexibility in employment and labour-related matters.

Chile. CONUPIA: (d) Yes, taking care not to destroy or modify measures favourable to SMEs.

Colombia. CGTD: (a) Yes. This should be carried out through the above-mentioned tripartite body because tripartism allows prevailing regulations to be improved upon or new standards to be established where necessary. This deliberating body will of course need to have the powers, funding, etc. to advance freely and effectively in its work.

Cyprus. PEO: The instrument should encourage governments to undertake a major review of the impact of existing policies and regulations on SMEs and, in consultation with the social partners, of labour regulations and programmes. Regular reviews are to the benefit of both the SMEs and their workforces.

Denmark. Yes. All these proposals would be appropriate, but with due consideration being given to national conditions.

LO: (a) Yes, evaluations are appropriate. (b) and (c) Yes, provided that there is no discrimination in relation to other types of enterprises. (d) Yes, but depending on national conditions.

Estonia. (d) Yes, but the formulation should be flexible.

Finland. (a) Yes. Such a review must not, however, lead to the situation where, for example, occupational safety and health requirements would vary for different enterprises depending on their size. (b) Yes. In the Finnish labour protection legislation there are certain differences, depending on the size of enterprises, as to the organization of codetermination in occupational safety matters at workplaces. On the other hand, the actual material level of occupational safety required is according to the law the same regardless of the size of the business. Different treatment in legislation would be contrary to the Constitution. In addition it would be a cause of unfair competition. (c) Yes. What in the field of occupational safety would need more attention is the development of various incentive systems. It would be advisable to emphasize that well-managed occupational safety and health brings savings for both the enterprise and society. Company savings can be seen, for instance, in reduced sickness-related absenteeism.

France. (a) Yes. (b) As regards labour legislation, there should be a form of protection applying to all enterprises, regardless of their size. This does not mean that in order to take account of the specific situation of SMEs, and adapting the approach to suit the size of SMEs, specific provisions cannot be established in this area in consultation with the social partners. (c) The fundamental principles of social protection should remain the same regardless of the size of enterprises. In exceptional cases, some social protection mechanisms that are not fundamental can be adapted to the particular circumstances of SMEs, and specific supplementary provisions could be foreseen for SMEs when existing mechanisms are inadequate. (d) No.

CFDT: (a) The instrument should only encourage this in order to seek the effective application of social rights and to make up for existing inequality between large enterprises and SMEs (especially for the smallest of these), in full respect of existing ILO instruments on workers' rights. (b) to (d), see Question 12(a).

Germany. (a) In view of the deregulation so far achieved at the national and international levels, no further deregulation groups should be set up. (b) It does not seem appropriate to include such a requirement for governments in an international instrument. In view of existing differences in the various contracting States (role of the social partners with regard to employment in SMEs, labour law framework for SMEs) and the autonomy of the social partners, such measures should be left to the initiative of individual governments. Consideration could, however, be given to directing a general appeal to governments (worded on the basis of, or in conjunction with, Question 13).

BDA: (a) to (d) The instrument should make governments responsible for the continuous review of policies and regulations. How effective such rules are will necessarily be measured by the ability of SMEs to make a livelihood and develop. The instrument should specifically refer to the State's responsibility for guaranteeing individuals' and organizations' freedom of expression.

DGB: (b) and (c). Care must be taken that employees in SMEs are not systematically excluded from the protective provisions of social and labour legislation.

Ghana. TUC: Yes.

Iraq. GFTU: (c) Yes, as soon as possible.

Israel. Histadrut: (a) No. In most countries, it should not be necessary for governments to engage in a major review of the impact of existing policies of SMEs as suggested in Question 12(a), for the reason that SMEs already account for a majority of employment in most ILO member States and so it can consequently be assumed that existing business, social, labour and other legislation was in any case drawn up in order to accommodate their needs. (b) No. The starting-point for any revision of labour market regulations would need to be the full respect of existing ILO instruments governing workers' rights, a situation which is, unfortunately, far from being a reality in a large number of ILO member States. Under these circumstances, it is hard to see how a discussion could produce fruitful results for the workers they would cover. Particularly in view of the absence of adequate components in the questionnaire governing the protection and promotion of trade union rights and other basic international standards, this proposal cannot be considered compatible with the fundamental principles of the ILO. (c) Yes. It is true that social protection mechanisms are in some cases inadequate to meet the needs of workers, both in SMEs and throughout the economy, indicating the need for further measures on the part of governments. (d) No. Some governments may in addition wish to envisage partnerships with private initiatives, including voluntary schemes and cooperative initiatives. In general the provision of mechanisms for the regular review and revision of policies would be counterproductive since it might result in the creation of an unpredictable and hence destabilizing environment, contrary to the prime objective of stability as defined in Question 8.

Italy. Yes.

CGIL, CISL, UIL: (a) Yes. The instrument should help governments to use this new economic and social centralization to its best advantage, considering from a decentralized point of view those requests for autonomy and change that necessitate a new approach to the representation of the interests involved in new work and in enterprises, immersed as they are in a complex environment in which cooperation, participation, versatility and flexibility are entwined. (b) to (d) Yes. See Question 12(a).

Japan. (b) Reviewing labour legislation from the point of view of the special needs of SMEs and their workers may lead to fostering dual standards, which is not appropriate for any case other than the case where a special requirement is recognized.

JTUC-RENGO: Yes.

NIKKEIREN: (a) Yes. The instrument should encourage governments to undertake a proper review of the effectiveness of existing policies and regulations. (b) Yes. With a view to enhancing the dynamics of enterprises, and in an attempt to stabilize and strengthen their management base, it is important to undertake a review where necessary. However, the contents of the "special needs" of SME workers should be carefully examined. (c) Yes, as for (b) above. (d) The review should be undertaken not on a regular basis but flexibly in the case of need, and in response to changes in circumstances.

Kuwait. Yes. The instrument should encourage governments to take all necessary measures to promote the establishment and success of SMEs, some of which are indicated in subparagraphs (a), (b), (c) and (d) under discussion.

Kyrgyzstan. Yes.

Lithuania. LDS: Similar observations to those expressed by Israel — Histadrut.

Mexico. (a) Yes. More attention should be given to deregulation and the simplification of administrative procedures, in particular customs procedures. (b) Yes. There is a need for an active process of administrative simplification, including the reduction and simplification of procedures, with a view to the creation of an appropriate framework and incentives to encourage job creation by SMEs. (c) Yes. There should be a reform of social protection schemes, in order to extend coverage and include workers in SMEs who are often not covered. Voluntary programmes could result from consensus between employers and workers in these enterprises, in a spirit of collaboration between the parties. (d) In the same way, mechanisms for consultation and consensus should be established with a view to updating and proposing labour development policies.

Netherlands. (a) Yes. The Recommendation should encourage national governments to evaluate the effect of the policy pursued and the existing regulations on SMEs. (b) Yes. (c) Yes. Carry out an evaluation of the existing mechanisms of social protection in order to check whether or not they are sufficiently attuned to the needs of small-scale labour organizations and their employees and, if necessary, consider whether or not additional measures, e.g. with regard to individual insurance or joint initiatives, would be desirable. More specifically, the Recommendation could be geared to small-scale organizations with no employees and led by entrepreneurs who, from a financial point of view, are personally liable. In order to promote entrepreneurship it can be considered whether social security, intended for employees, might be made accessible to these entrepreneurs. (d) Yes. Develop mechanisms for the periodic evaluation of the policies pursued and planned with regard to small-scale labour organizations.

New Zealand. (a) and (d) The timing of reviews of existing policies is the responsibility of individual Members to decide. The New Zealand Government regularly reviews policies to ensure that they are meeting objectives and continue to provide a framework in which firms can operate effectively. With regard to Question (b) and (c) see the reply to Question 5.

Nicaragua. (b) It is not clear whether "a review ... of labour regulations" refers to the labour laws or to enterprise internal regulations. If the former, it is Nicaragua's policy not to pass labour laws for exceptional cases; if the latter, there are no predetermined labour regulations, and each enterprise may draw up its own provided that they do not infringe workers' rights under the Labour Code and social security laws.

Niger. USTN: (a) Yes. However, it may be assumed that existing legislation was drafted in order to meet the specific needs of most member States of the ILO. (b) Yes. In the present circumstances, difficulties arise from disregard for partnership and non-observance of labour legislation. (c) Yes. The review mentioned should meet the needs of workers. (d) Yes. There is a foreseeable risk that such mechanisms would be counterproductive.

SPEIN: (a) Yes, especially fiscal and social policies. (b) Yes, in the framework of national consultative committees. (c) Yes. (d) Yes.

Norway. Yes, if it is appropriate according to national conditions.

Pakistan. PNFTU: (a) and (c) Yes.

Peru. (a) to (d) Yes.

CATP: (a) to (d) Yes. Periodic reports should be submitted to the ILO Governing Body on proposed plans and objectives, progress achieved, setbacks encountered and experience gained in each member State over a specified period.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

All Poland Trade Union Alliance: (b) and (c) Yes.

Portugal. CCP: (b) Yes, but with account also being taken of employers' interests.

Qatar. Yes. The subparagraphs of this question may be merged so as to provide for the periodical review of existing policies and regulations.

Senegal. CNTS: (a) Not necessary in most countries. (b) No. This is not compatible with the fundamental principles underlying the ILO. (c) Yes. (d) No. This involves the risk of an unpredictable and thus destabilizing environment.

Sri Lanka. CWT: Similar reply to that of Israel — Histadrut.

Suriname. (b) Yes, but also with the organizations of SMEs.

Sweden. LO: Yes, provided that there are good proposals in these areas and that they apply to all undertakings and not just to SMEs.

Switzerland. (b) Swiss labour law does not distinguish between SMEs and other enterprises. As regards labour law, SMEs are therefore subject to the same legislation as other enterprises. With regard to social security, employees in Swiss SMEs enjoy the same protection as other wage-earners.

USS: Similar reply to that of Israel — Histadrut.

UCAPS: (a) Yes, in particular to prune legislation and policies which slow down the development of SMEs. (b) Yes. (c) Yes, specifying that this review may result in a decision to reduce constraints arising from social protection. (d) Yes.

UCAM: (b) Yes. (d) Yes.

Turkey. Yes.

TÜRK-IS: (a) and (b) No. (d) Yes.

United States. Workers: In recent years, conservative business interests in the United States and elsewhere have tried to impose a radical and harmful deregulatory agenda. This consists of an across-the-board attempt to eliminate or wrongfully weaken environmental regulations, labour protection, occupational safety and health and other concerns. In this unbalanced view, the goal of job creation and free market activity outweighs all other values, with government itself and regulations being seen as the villains. Again, there needs to be a balance at work and the wording of these questions might be interpreted to suggest that a deregulatory agenda is a desirable approach, which it is not.

Uruguay. Employers: (b) and (c) The word "needs" should be replaced by "characteristics".

Venezuela. Yes. The instrument should encourage governments to evaluate the impact of each of the policies mentioned in order to make adjustments and pursue courses of action, depending on the results.

CGT: (a) Yes.

Employers: (a) Yes, under the terms stated in reply to Question 5(a) and (b). (b) Yes, in principle (see Question 9(2)(g)). (c) No.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

Almost all government replies supported the proposal in respect of at least some of the subparagraphs, and a large majority gave affirmative replies to all subparagraphs. Some replies expressed the view that the proposals should not lead to an erosion of worker protection or conditions, or differential treatment of SMEs; and a number of the replies from workers' organizations expressed objections to subparagraphs (a), (b) and (d) as they stand. The reservations about (a) relate to the fact that legislation currently in existence can be assumed to accommodate the needs of SMEs; for (b) that a basic assumption concerning the revision of labour regulations must be full respect for existing ILO instruments concerning workers' rights; and for (d) the regular review and updating of policies would cause instability.

The Office has noted the reservations expressed concerning subparagraphs (a) and (d), but decided, at this stage, in view of the otherwise overall strong support expressed for these subparagraphs, to retain them, unamended as *Points 9(2) and 10(3)*, respectively, of the Proposed Conclusions, for further discussion.

In view of the reservations expressed concerning subparagraph (b), the Office has decided to provide further clarification by adding the phrase "while ensuring adequate protection of their workers" after the words "... the special needs of SMEs,". The Office has furthermore decided, for the sake of clarity, to combine subparagraphs (b) and (c) into a single subparagraph containing two clauses. Thus the two provisions contained in Question 11(b) and (c), as amended, are now the subject of *Point 9(3)* of the Proposed Conclusions.

Qu. 13 *Should the instrument provide for governments to improve the collection of adequate national data on the SME sector as an input to the policy-making and implementation process?*

Total number of replies: 63.

Affirmative: 57. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Brazil, Bulgaria, Burundi, Cambodia, Central African Republic, Canada, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, France, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, Nicaragua, Norway, Oman, Panama, Peru, Philippines, Portugal, Qatar, Romania, Slovakia, Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 1. Poland.

Other: 5. Bangladesh, Belarus, Belgium, Finland, New Zealand.

Argentina. Yes.

Australia. Governments worldwide are seeking the compilation of an increased and coherent set of data on the small business sector in their respective countries. Many of these governments are encouraging statistical agencies to maximize the usefulness of existing data sets, particularly by completing those available from administrative data sources.

ACCI: Yes. Governments should improve their data collection in this area. Any instrument should however recognize that data collection is expensive and that in many States such resources would be better spent on policies to encourage employment directly. Consideration should be given to standard international measurement and definitions in this area, to ensure that any statistics collected are of use in cross-national comparisons.

Bahamas. Yes. This is essential. The Government of the Bahamas has just decided to carry out such an assessment.

Bangladesh. See Question 8.

Belarus. The ILO can only give advice and should not make it incumbent on governments to carry out certain activities.

Belgium. In general, it is less a matter of drawing up special statistics for SMEs than of coordinating and making full use of the considerable statistical information which enterprises have usually already been asked for. Thus, for example, it is difficult to identify part-time work in existing Belgian employment statistics which cover all employers.

Burundi. Data should first be established where none at present exist and then improved where they do exist.

Chile. CONUPIA: Yes. The data should be collected through occupational associations and broken down according to regions and sectors of production.

Costa Rica. Yes. This is fundamental for decision-making and for carrying out studies to determine the needs of the sector, in line with market trends.

Cyprus. Yes, adequate information is an essential prerequisite for successful policy formulation/implementation.

Czech Republic. KPZS CR: No.

Finland. The national collection of data on the SME sector depends on the industrial structure of the country and on other national conditions for data collection. It should be possible for each member State to decide on the standard and extent of the data collected at the national level.

France. Yes. When necessary, national statistics should be improved.

CFDT: Yes, and particularly with regard to trade union rights and representation in SMEs.

Germany. BDA: In the drafting process, care should be taken not to burden SMEs with too many obligations regarding the provision of information. For specific problems encountered by SMEs, the statistical tool of sampling could be used.

Ghana. TUC: Yes. Data collection aimed at improving policy within SMEs would be useful and should be encouraged.

Hungary. Yes, in accordance with the statistical data collection practice of each country.

Iraq. GFTU: Yes.

Israel. Histadrut: Yes. Further data collection as a basis for policy-making would certainly be useful, particularly concerning areas such as trade union rights and representation in SMEs, working conditions, terms and conditions of employment, social protection, labour inspection and respect for workers' rights in general.

Italy. CONFINDUSTRIA: Yes.

Jordan. GFJTU: No.

Kyrgyzstan. Yes.

Lebanon. Yes. It is important for the instrument to provide for governments to improve the collection of adequate data on the enterprises concerned as an input to the policy-making and implementation process because this process normally depends on the availability of adequate related data.

Lithuania. LDS: Yes. Similar reply to that of Israel — Histadrut.

Mauritius. Yes. Improvement in the collection of adequate national data is important for policy-making and the implementation process. But legal recognition should be given to the SMEs which operate in the informal sector. These SMEs should be required to seek at least an operational permit or licence from the government or local authorities so that their development and growth can be monitored. This will also help in maintaining an up-to-date register of all SMEs so that adequate national statistics on the SME sector can be easily collected.

Netherlands. Yes. The Recommendation should encourage national governments to collect relevant data on small-scale labour organizations as an input for policy development and implementation.

VNO-NCW: Provided that this data collection does not impose additional administrative burdens on SMEs, there is no objection.

New Zealand. It is the responsibility of member States to decide what statistics they should collect. The availability of quality and timely data on the behaviour of firms is important for policy development, monitoring adjustment to policy change, and as an input to firms' decision-making.

Niger. USTN: Yes. This point may be useful for trade union rights, terms and conditions of employment, health and social security and labour inspection.

SPEIN: Yes.

Pakistan. PNFTU: Yes. Similar reply to that of Israel — Histadrut.

Peru. Yes. The formulation and implementation of policies relating to SMEs are restricted by the scarcity of available data not only on the formal sector but on the informal sector. The collection of information relating to the SME sector should be carried out at the national level, with a view to formulating and applying coherent and effective policies.

CATP: Yes. Statistics should be collected by a specialized body with the aim of adopting policies for the promotion of SMEs.

Poland. Solidarnosc: Yes. Similar reply to that of Israel — Histadrut.

All Poland Trade Union Alliance: Yes.

Portugal. Yes. The recommendation of specific measures to governments would be useful with a view to determining appropriate policies and for the implementation of such policies.

CIP: The instrument should refrain from recommending specific measures to governments.

Qatar. Yes, if necessary.

Senegal. CNTS: Yes.

Sri Lanka. CWC: Yes. Similar reply to that of Israel — Histadrut.

Suriname. Yes, this is necessary and important.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings, and not just to SMEs.

Switzerland. Yes, without causing an excess of work.

USS: Yes. Similar reply to that of Israel — Histadrut.

UCAPS: Yes, provided that this improvement does not result in a disproportionate level of bureaucracy.

Venezuela. Yes, since accurate information is necessary for the formulation of policies in both the economic and social spheres.

Employers: Yes. Governments should use NGOs to collect statistics and data on the sector; occupational organizations have an important responsibility in this respect.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

Replies indicate very strong support for the envisaged provision. A few replies indicate that such data collection could be costly. A limited number of replies also indicate that the provision should not result in undue bureaucracy and administrative burdens for the SMEs. A number of workers' organizations expressed strong support for the provision while indicating that data collection should include qualitative aspects of SME employment such as working conditions, terms and conditions of employment, social protection, labour inspection and trade union rights. The Office considers these concerns justified and has consequently decided to amend the text by including the phrase "including quantitative and qualitative aspects of employment in the sector, while ensuring that this does not result in undue administrative burdens for the SMEs".

A provision corresponding to Question 13, amended as indicated above, has been included as subparagraph 9(1) of the Proposed Conclusions.

Qu. 14 *Should the following, where appropriate, be decentralized to the regional and local level:*

(a) formulation of SME policies and regulations?

(b) administration of SME policies and regulations?

Total number of replies: 60.

Affirmative: 44. Argentina, Australia, Bahamas, Bahrain, Barbados, Brazil, Bulgaria, Cambodia, Central African Republic, Chad, Chile ((b)), China, Colombia ((b)), Costa Rica, Czech Republic, Denmark, Egypt, Estonia ((b)), Germany, Japan, Jordan, Kenya, Kyrgyzstan, Malaysia, Malta ((a)), Mauritius, Mexico ((b)), Oman, Panama ((a)), Peru, Philippines, Poland, Portugal, Qatar, Romania ((b)), Spain, Sudan, Suriname ((a)), Switzerland, Thailand, Turkey ((a)), United States, Uruguay, Venezuela.

Negative: 12. Austria, Burundi, Czech Republic ((a)), Dominica, Estonia ((a)), Finland, Hungary, Mexico ((a)), Netherlands, Norway, Syrian Arab Republic, Yemen.

Other: 8. Bangladesh, Belarus, Belgium, Cyprus, France, Lebanon, Malta ((b)), New Zealand, Suriname ((b)).

Argentina. Yes, because centralizing policies sometimes encourages different regions to develop at a different speed, which entails a risk of not taking proper advantage of the different characteristics of regional productive structures.

Australia. Yes, where appropriate. There is some argument for a consistent regulatory approach across a nation to break down some of the barriers to competition and to overcome a parochial approach.

ACCI: (a) Yes. Any instrument should recognize that member States have different constitutional systems. Federal states will need the cooperation of their regional legislatures to further the ends of an instrument on employment in SMEs. (b) Yes. Additionally, local or regional authorities are likely to be best placed to offer services to disparate, geographically isolated and under-informed SME employers and employees. It should therefore be possible for both the formulation and administration of SME policies and regulations to be decentralized to a regional or local level as appropriate. Such discretion will be essential to the success of policies designed to further employment in SMEs, and of any instrument arising from these processes.

Austria. No. The question of decentralization should be left to national legislation.

Bahamas. Both (a) and (b) would be appropriate under the local government system of the Bahamas.

Bangladesh. See Question 8.

Belgium. It depends on the institutional organization in the country concerned. Generally speaking, however, SMEs should be able to find in their immediate vicinity the information and services they need. Occupational and inter-occupational organizations are extremely important for SMEs, as are the various intermediate bodies that provide services.

Belarus. Both (a) and (b) concern the authority of governments. Discussions about them depend on many factors and recommendations cannot be the same for all countries.

Brazil. Yes to both; however, this decentralization must be carried out in an integrated manner with account being taken of general policy and standards.

CNC: No.

Burundi. No.

Canada. (a) Yes. The formulation of policies and regulations should be decentralized to some extent as this can support and encourage regional competitive advantages. However, there should be some degree of coordination and stability in policy and regulatory frameworks and an avoidance of conflicting policies. Consultation between the levels in the formulation of provincial-based policy and regulations would be important to overcome conflicts. (b) Yes. The decentralization of the administration of SME programming allows sectoral, geographical and industrial differences to be addressed.

Central African Republic. (a) Yes, as the situation may vary from one region to another.

Chile. CONUPIA: (a) Yes.

Cyprus. Yes. Decentralization should be determined by each Member in line with local conditions.

PEO: Yes. Regulatory burdens connected with registration and licensing applications, taxes and other requirements at the local level must be eased, which would facilitate communications by speeding up processing and reducing time lost in travelling. In addition, some policies and regulations might be geared more to the specific conditions prevailing in particular areas.

Czech Republic. (a) No. (b) Yes, in connection with the powers of regional bodies, if legal rules do not exclude it.

Denmark. Yes. See also remarks in general observations about the importance of regional conditions.

LO: Yes, in principle, but it depends upon national conditions.

Dominica. (a) No. The formulation of policies and regulations should be made at the national level. (b) No. The administration of policies and regulations should also be carried out at the national level.

Estonia. (a) No. These questions should be regulated by national laws and regulations.

ESEA: (a) Yes.

Finland. No. SME policy, its regulation and administration are matters of national concern. It is not possible and not even appropriate for the ILO to take a stand on the question of how SME policies should be regionally or locally formulated.

France. The formulation of SME policies and regulations should primarily be carried out at the national level, which does not mean that specific provisions for SMEs should not be made at the local level, in particular by local communities; their implementation should be largely decentralized.

CFDT: Policies and regulations concerning SMEs should be drawn up at the national level. It is, however, useful to make provision for procedures to be applied at the local level, as close as possible to enterprises.

Germany. In principle, yes. The decentralization mentioned here corresponds to the principle of subsidiarity enshrined in the German Constitution.

BDA: The instrument should stress that, in principle, decisions regarding the policy framework are taken at the highest level of government; regional and local levels are thus left mainly with territorial and municipal development issues. Decentralization of economic support measures in these fields must be seen as positive, inasmuch as it promotes greater proximity to enterprises and a better handling of problems specific to the region.

Ghana. TUC: (a) No. This should be carried out at the national level. (b) No, but depending on national circumstances.

Hungary. (b) No, in view of the size of Hungary and the nature of its institutions; but there are countries where this might be necessary.

Iraq. GFTU: No.

Israel. Histadrut: (a) No. As a general principle, the formulation of SME policies and regulations would need to be carried out at the national level, where the main authority for drafting legislation resides in most ILO member States. (b) The most appropriate level for administration of SME policies and regulations would depend upon national circumstances.

Italy. CONFINDUSTRIA: Yes to both. The local authorities should intervene wherever they identify shortcomings in the system and when it is necessary to encourage specific aspects of development (e.g. through assistance and advisory services).

Jordan. FJCC: (a) No, at the local level. (b) Yes, at the regional level.

Kuwait. (a) Yes. Decentralization, where appropriate, to both regional and local levels, in particular concerning the formulation of SME policies and regulations.

Kyrgyzstan. Yes to both, with due consideration of aspects relating to the indigenous population of the country, its geographical position, socio-economic conditions, material and technical support system, natural resources and ecological conditions. The instrument should promote the creation of leading centres (institutes) responsible for the formulation of policies in support of SME activities, including large assistance programmes for SMEs, which would ensure the observation of appropriate standards and social guarantees.

Lebanon. Decentralization, where appropriate, to the regional and local level of the matters mentioned depends on the policy and judgement of each State.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Malta. (a) Yes. It is desirable that policy decisions be as far as possible decentralized. Decentralization should therefore be recommended, but the instrument should stop short of imposing it. (b) It should allow for flexibility when dealing with different situations.

Mauritius. (b) Yes, provided that the policies and regulations applicable to SMEs are not discriminatory from region to region, as this could create a situation where a region with a more favourable enabling environment might attract more potential investors than other regions.

Netherlands. No. The Recommendation should not include any statements about the decentralization of policy and administration, since whether or not this is desirable largely depends on specific national circumstances.

New Zealand. It is the responsibility of individual member States to determine the extent of decentralization of the formulation, delivery and administration of SME policy.

Niger. USTN: No. As a general principle these activities should be carried out at the national level, with account being taken of the specific circumstances of each country.

SPEIN: Yes.

Pakistan. PNFTU: Similar reply to that of Israel — Histadrut.

Panama. UNPYME: (a) No. (b) Yes.

Philippines. (b) Yes, provided that they are consistent with national directions and policies.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

Portugal. CCP: The matters raised in (a) and (b) do not seem to require general attention.

Qatar. Yes. Decentralization may be applied when appropriate and to deal with particular situations.

Senegal. CNTS: No. It is a general principle that the formulation and the implementation of policies and regulations relating to SMEs should be carried out at the national level.

South Africa. BSA: Yes, where appropriate, but ideally within the broad guidelines of a nationally accepted framework.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Suriname. (b) It depends on the communication and infrastructure of the country; if this is poor or non-existent, then the country should decentralize.

Sweden. LO: (a) Yes. (b) In certain cases, yes.

Switzerland. USS: Similar reply to that of Israel — Histadrut.

UCAPS: Yes, as far as possible by sector.

VSA: (a) No. At the national level uniform rules should be applicable to SMEs (they do not necessarily have to be identical for small as opposed to medium-sized enterprises in all respects). (b) Yes, possibly.

USAM: Yes, and as far as possible by sector.

Syrian Arab Republic. No. Since decentralization to the regional and local level in the formulation of SME policies and regulations requires a certain level of competence which is not easily available in developing countries even at the central level.

Turkey. (a) Yes. The formulation of SME policies and regulations should be decentralized to the regional and local level, if appropriate.

TÜRK-IS: No.

United States. Workers: While regional and local formulation and administration often make sense and are desirable, their appropriateness is difficult to determine. Much depends on the issue. In some cases there should be minimum requirements applicable across the board, perhaps, with some flexibility to strengthen regulations or enforce them beyond minimum standards at the lower levels. One problem is that policies and regulations could sometimes be diluted, unenforced or ineffective if relegated to the local and regional levels.

Venezuela. Yes, since this will ensure a better adaptation to the reality of each enterprise at the regional and local levels so that SMEs are directed to regions where they are likely to thrive.

Employers: (a) No. Macroeconomic policies should be formulated at the national level, allowing the possibility of supplementing them in each region. (b) Yes.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

Replies expressed strong support for the principle of decentralization as envisaged in the question with regard to both subparagraphs (a) and (b), although some replies expressed the view that decentralization is more likely to be relevant with respect to administration of SME policies and regulations. Moreover, many replies indicated that such matters must be decided according to national circumstances and conditions.

In view of the overall strong support, the Office has decided to retain the two subparagraphs, while adding the words "where appropriate in light of national circumstances" after the words "Members should consider". For the sake of clarity, the Office has furthermore decided to combine clauses, and to replace the word "administration" with "implementation".

The provision contained in Question 14, as amended, is now the subject of *Point 11* of the Proposed Conclusions.

V. Development of an enterprise culture

Qu. 15 *Should the instrument provide that measures should be taken to create and strengthen an enterprise culture which emphasizes individual initiative and enterprise creation, productivity, quality, fairness and adequate social standards?*

Total number of replies: 63.

Affirmative: 61. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Czech Republic, Cyprus, Denmark, Dominica, Egypt, Finland, France, Germany, Hungary, Italy, Japan, Kenya, Jordan, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, New Zealand, Nicaragua, Niger, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Slovakia, Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 1. Bangladesh.

Other: 1. Belgium.

Australia. Yes. The development of an enterprise culture is an important prerequisite to the establishment of new small businesses. However, it is only one element in the establishment of successful SMEs. Individuals wishing to establish these types of business must also possess the necessary business skills.

ACCI: Yes. Training and media awareness are important mechanisms to create and strengthen an enterprise culture. They will serve as a valuable function in educating a community on the importance of SMEs.

Bangladesh. No. The development of an enterprise culture for the SMEs is an issue which is related to and connected with the overall growth of the economy, which is again guided by the social and economic policy of a country. No international instrument of the kind is necessary.

Belgium. The wording and the viewpoints expressed here would be better received if what was being considered was the strengthening of the entrepreneurial spirit.

CNT: Yes, on the understanding that the concept of an enterprise culture must also cover the promotion of good labour relations.

Canada. CEC: Yes. While employers do not advocate an instrument, it is recognized that governments have a legitimate role to play in support of an enterprise culture emphasizing individual initiative and enterprise creation, productivity and quality in the context of fairness and adequate social standards for its citizens.

Czech Republic. As a recommendation at a general level; concrete details to be specified by each State.

Denmark. Yes. A process should be encouraged which will influence the traditional standards in society so that life as a self-employed person seems more attractive than today. In Denmark an action plan has been launched to strengthen enterprise culture through a renewal of the educational system.

Finland. In principle, yes. This trend can be strengthened by working life development programmes.

France. Yes. The instrument could provide for the need to develop an enterprise culture, the most important measure being to increase linkages between the education and training system and the enterprise environment, to facilitate the development of entrepreneurial and related skills.

CFDT: Yes. A successful enterprise culture is one which closely links economic and social aspects, and is based on respect for workers' rights. It should include the promotion of good industrial relations, commercial practices respecting social legislation, better working conditions, clearer consumer standards and measures to promote equality between men and women.

Ghana. TUC: Yes.

Iraq. GFTU: Yes.

Israel. Histadrut: Yes. The concept of an "enterprise culture" is in reality no more than a form of jargon for the role of employers in creating a successful and growing economy. Regardless of terminology, however, in practice a successful enterprise culture is one which is sustainable, meaning one which is based upon respect for workers' rights as a means of spreading the benefits of economic growth equitably throughout the economy and reducing social tension. Consequently, an enterprise culture needs to emphasize areas such as quality, fairness and adequate social standards above such areas as individual initiative and enterprise creation.

Jordan. Amman Chamber of Industry: Yes. The development of entrepreneurial and related skills should be encouraged within educational and training systems, in the framework of what is traditionally called manual work. Information programmes are also essential in order to display the achievements, distinctive products and innovations of small-sized industries and their importance for society and the national economy. In Jordan, material and moral encouragement prizes are awarded.

Lithuania. LDS: Yes. Similar reply to that of Israel — Histadrut.

Netherlands. In reply to Questions 15 to 22, the policy options mentioned can be included in the Recommendation as examples of possible policy. However, the question as to which options can be applied in individual countries depends on the specific circumstances of each country.

VNO-NCW: Questions 15 to 32 suggest that the discussion at the 1997 Session of the ILC on the stimulation of job creation in SMEs would achieve the best result if the conclusions are laid down in a policy document and not in a new ILO instrument in the form of a Convention or Recommendation.

New Zealand. Enterprise and innovation are essential factors in maintaining growth, but how they are to be encouraged is a matter for individual Members.

Niger. USTN: Yes. The enterprise culture should promote labour relations and observance of workers' rights. Entrepreneurship should be a means of ensuring that the benefits of growth are fairly distributed and social tension reduced.

Pakistan. PNFTU: Yes.

Peru. Currently, the free trade market economy model applied in Peru has meant that enterprises are seeking continually to improve the quality of production, functional design and service, both inside and outside the enterprise, particularly in small enterprises where success depends on the ability to respond flexibly to a dynamic environment.

Poland. Solidarnosc: Yes. Similar reply to that of Israel — Histadrut.

Portugal. As a framework for the creation of SMEs, the instrument should indicate which measures should be taken to promote an enterprise culture, with special reference to individual initiative, the creation of enterprises, adequate social conditions, etc.

Senegal. CNTS: Yes, but without preference being given to individual initiative and enterprise creation.

Sri Lanka. CWC: Yes. Similar reply to that of Israel — Histadrut.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. USS: Similar reply to that of Israel — Histadrut.

UCAPS: No. The enterprise culture is born of enterprise itself and cannot be implanted by taking "measures".

USAM: Yes. Since there can be no SMEs without these features, there is no point in specifying them in a legal text. There is, however, one exception as regards (a): training systems could pay greater attention to these matters.

VSA: This question concerns mostly small and micro enterprises. There is no objection to measures to create and strengthen an enterprise culture emphasizing productivity, quality, fairness and adequate social standards; however, such a provision is not particularly useful.

Turkey. Yes. An enterprise culture emphasizing individual creativity and enterprise spirit, together with productivity, quality, fairness and adequate social standards, should be created which should also be strengthened by taking the necessary measures to be included in the instrument.

United Kingdom. CBI: Yes. While it does not believe that an instrument is necessary or desirable, the CBI agrees that the expansion of the SME sector depends critically upon the creation of a culture of entrepreneurship. To promote entrepreneurship and a healthy SME sector, schools and colleges must recognize the sector's importance to the economy, enabling them to recruit young people with the necessary skills. Careers guidance must include owner-management and SME employment as career options.

United States. USCIB: Yes, if social standards mean a "safe and healthy workplace free from discrimination and forced labour".

Workers: Yes. The instrument should provide that measures should be taken to create and strengthen an enterprise culture which emphasizes adequate social standards through awareness campaigns promoting lawful and socially desirable business practices. Such a campaign should emphasize the idea of a social compact between employers and workers and the idea that consumers are also workers. Too often there is seen to be a rivalry between the interests of people as consumers and the interests of people as workers. Business firms should be seen as serving the public good by treating their workers well and by providing decent working conditions, not just by offering low prices to consumers.

Venezuela. CGT: No.

Employers: Yes, but based on private enterprise principles.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

If so, should they be pursued through:

(a) introducing entrepreneurial and related skills development into the system of education and training?

(b) designing and implementing mass media awareness campaigns to promote:

(i) lawful and socially desirable business practices?

(ii) higher standards in areas such as productivity and working conditions?

(iii) higher consumer expectations as regards standards of design and quality?

(iv) entrepreneurial role models and award schemes for both men and women?

(c) other means? (Please specify.)

Total number of replies: 63.

Affirmative to (a) and (b): 61. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium ((a)), Brazil, Bulgaria, Burundi, Cambodia, Canada ((a) and (b)(iv)), Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Czech Republic, Denmark, Dominica, Egypt, Finland ((a) and (b)), France, Germany ((b)(i)(ii)(iii)), Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, Nicaragua, Niger, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania ((a) and (b)(iv)), Slovakia ((a) and (b)(i)(ii)(iii)), Spain, Sudan, Suriname, Switzerland ((a)), Thailand, Turkey, United States, Uruguay ((a) and (b)(i)(ii)(iii)), Venezuela, Yemen.

Negative: 5. Bangladesh, Canada ((b)(i)(ii)(iii)), Germany ((b)(iv)), Switzerland ((b)), Uruguay ((b)(iv)).

Other: 2. Belgium, New Zealand.

Argentina. (a) The training of SME entrepreneurs is important and should focus on economic, financial, production, commercial, human resources and technological management. Management programmes must take into account the specific conditions of competitiveness and the quality of processes and products prevailing in the sector considered. (b) The instrument should include any measure that can foster an enterprise culture.

Australia. With respect to the actual methods used to develop an enterprise culture with the exception of (b)(iv), Australia has concerns over the overall effectiveness and cost of mass media campaigns in this context. They may be used where appropriate, but better targeted and more cost-effective long-term strategies also need to be applied. The development of an enterprise culture is a continual and iterative process crossing over all areas of education, community, and business/economic activity.

ACCI: (a) Yes. Since SME programmes will have to compete for funding with a range of other worthy social and economic programmes, the primary focus should be on education as it is more likely to create an ongoing employment benefit. (b) Fewer resources should be allocated to mass media awareness. Any instrument should be very clear on exactly what an enterprise culture is and which mechanisms will actually create it. The measures outlined in this question appear targeted at employers in SMEs. Such employers should be educated on notions of best practice and good working systems. However, also crucial to employment growth will be a supply of job-ready employees, especially younger employees. An instrument should also address these issues. Focusing on the demand side will not be sufficient; the supply side should also be addressed. Consideration could also be given to using the established infrastructure of the social partners and other organizations to initiate a dialogue with employers (and their associations) and employees in SMEs. Governments need to work through established bodies/organizations/social partners whenever this approach provides an efficient mechanism to create and strengthen an enterprise culture.

Barbados. (c) Other means could be through the development of trade fairs.

Belgium. (a) It would be to the advantage of teaching systems preparing in particular young people for the micro economy to develop these sorts of exercises and teaching devices (acting out the role of entrepreneurs, setting up mini enterprises in business and management schools, etc.). Basic secondary-level apprenticeships should include a minimum coverage of corporate and other management skills. (b) These various forms of promotion are the responsibility of the official bodies in charge of teaching. Continuity of the information is more important than its quantity or the degree of sophistication of the way in which it is presented. (c) (1) Among the range of public services offered to the population, a body, agency or ministerial department should deal specifically with SME-related issues, bringing the issue into the public eye. (2) The encouragement of the creation, structuring and legal recognition of diversified and responsible professional organizations for SMEs is also a necessary step towards establishing over time the entrepreneurial spirit and solidarity between different generations of entrepreneurs and SMEs. These representative groupings are also the ones to which the authorities speak when developing policies involving SMEs. (3) Efforts should also be made to ensure that SMEs and their occupational organizations have real and fair access to the public and private media.

CNT: Yes.

Brazil. Yes. Other measures might include the organization of fairs highlighting the products and services of SMEs and other similar promotional events (congresses, seminars, etc.).

CNI: (b)(ii) No.

Burundi. (c) Promoting exchanges of technology between countries under bilateral arrangements.

Canada. (b)(i) to (iii) No. The mass media are not always applicable or the most appropriate mechanism. (b)(iv) Yes, for award schemes for entrepreneurs, including youth. (c) Through trade shows, magazines, newsletters, SME associations, and by way of information products and services to assist SMEs in diversification and development.

CEC: Yes. See reply to preambular paragraph.

Central African Republic. (c) A system for exchanging experience.

Chile. CONUPIA: (c) Encourage studies of SME-related issues, vocational training in SMEs, and promote and strengthen occupational bodies in the sector.

Colombia. ACOPI: Yes. (c) Through institutions such as NGOs which promote the entrepreneurial spirit and through corporations in the productive sectors.

CGTD: Yes. (c) Set up systems to improve working relations between employers and workers, either directly or through representative organizations, so as to achieve greater respect for human rights, freedom of association, the rights to collective bargaining and to strike, public relations, etc.

Costa Rica. (c) Through organizations of SMEs, chambers, associations, cooperatives, etc.

Czech Republic. Yes. As a recommendation at a general level; concrete details to be specified by each State.

Estonia. ESEA: (b) Yes.

ECIE: Yes.

EATU: (a) and (b)(i)(ii)(iv) Yes.

Finland. (a) Yes. However, the measures mentioned in regard, for instance, to the strengthening of enterprise culture are primarily internal managerial questions in an enterprise. Enterprise culture can nevertheless be promoted not only by the company's own measures but by training and the exchange of information. It is very important to include training for entrepreneurs in training programmes and to raise the entrepreneurial profile in vocational guidance. (b) Entrepreneurship also includes consideration being taken by enterprises of social standards.

Germany. (b)(i) to (iii) Yes. However, with regard to (b)(iv), equal rights in the world of work for men and women, particularly with regard to remuneration systems, is not an aspect relating specifically to SMEs. This question is already being discussed in numerous other EU and ILO bodies. Special mention of SMEs in this context does not seem appropriate.

BDA: The instrument should not list specific measures. Instead, the comment should suffice that the enterprise culture is part of an overall culture within which the family, the educational system and the media bear the prime responsibility for fostering generally recognized values.

DGB: This is generally supported; however, there should be a reference to improved codetermination.

Ghana. TUC: (b) The use of mass media campaigns for the promotion of lawful and socially desirable business practices, better working conditions, higher consumer standards and measures for women would be important to the establishment of a successful enterprise culture.

Hungary. (c) It is also important for entrepreneurs to observe the rules of legal operation and meet payment obligations.

Employers: (b)(ii) to (iv) There should be no interference in the operation of a market economy.

Iraq. GFTU: Yes.

Israel. Histadrut: (a) Yes. Entrepreneurial and related programmes in the education and training system, as proposed, should include strong components concerning the promotion of good industrial relations. (b) Similar comment to that of Ghana — GTUC.

Japan. Yes; however, as regards (b)(ii), while publicity for working conditions is necessary, it is acknowledged that increased productivity has been a target for all SME management and there would be no need for government publicity for productivity.

NIKKEIREN: (a) Yes, as regards (b)(i) and (iv). Concerning (ii) and (iii), there is a danger that they may work against the entrepreneurship, originality, independence and dynamics of SMEs. The campaigns should therefore be designed and implemented in such a way as to avoid this danger; (ii), in particular, is not appropriate for such campaigns, since productivity increase is a goal of the management of all enterprises, and working conditions in an individual enterprise should be determined independently in the light of increasing its own productivity and enterprise dynamics.

Kenya. (c) Establishment of sectoral associations.

Kyrgyzstan. (a) The elements of entrepreneurial and related skills development need to be introduced into the system of education and training; strong ties should link educational institutes and academic institutions. (b) It is advisable to carry out information promotional campaigns to facilitate: (i) the creation and development of desirable business practices and a culture of information transfer, as well as the setting up of groups to exchange experience; (ii) the formulation and implementation of higher standards and more advanced systems of productivity calculation, and improvement of working conditions; (iii) the achievement of a higher level of technological design to create better quality and more highly competitive goods; and (iv) the introduction of a system which will motivate high quality labour from the workforce.

Lebanon. (a) and (b) The instrument should provide that measures be taken to develop and strengthen an enterprise culture. This may be pursued as indicated according to the needs and within the limits of available means and possibilities. (c) Environmental culture should be improved in the area of environmental protection.

Lithuania. LDS: (a) and (b) Similar reply to that of Israel — Histadrut.

Mauritius. (a) and (b) Yes. Consideration should be given to the creation and strengthening of an enterprise culture which emphasizes individual initiative and enterprise creation through the various actions proposed. (c) In Mauritius, the Small and Medium Industries Development Organization promotes entrepreneurship development, regularly organizing initiation courses on small enterprise launching for would-be entrepreneurs, including school leavers.

New Zealand. It is recognized that enterprise and innovation are essential factors in maintaining growth, but the method of encouraging them is a matter for individual member States. The three major factors involved in encouraging enterprise and innovation are the economic environment, the information available and the capability of firms to respond to incentives provided by the economic environment.

Nicaragua. (c) In order to avoid bankruptcies, the authorities should inform the public which are the priority sectors of the economy best suited to the creation of SMEs.

Niger. SPEIN: (a) Yes, in vocational establishments. (b)(i) and (ii) Yes. (b)(iii) Depends on the purchasing power of consumers. (b)(iv) Yes, because the head of the enterprise is seen as an exploiter and not as a role model.

Oman. (c) Provide the enterprise with information on innovations in the field of technology.

Pakistan. PNFTU: (a) Yes, with the addition of "including strong components on the promotion of good industrial relations". (b) Yes.

Panama. UNPYME: (c) Incorporating the values of honesty, ethics and honourable principles in both basic and university education, advocating these principles as an inherent part of work, entrepreneurship and society.

Peru. (a) Yes. (b) Yes, with particular emphasis on (i) and (ii).

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

Portugal. (c) The instrument should also refer to the organization and management of human resources, the promotion and marketing of products, information technologies and telecommunications.

Qatar. Yes. Concerning (b)(iv) the aim of promoting entrepreneurial role models is not clear.

Senegal. CNTS: Yes, but without giving preference to individual initiatives and enterprise creation.

Slovakia. (b) The document should determine measures for creating and developing an enterprise culture. Standards in the area of labour conditions and labour productivity should be made stricter, and business customs and habits respecting the law should be supported. Customer demands concerning the appearance and quality of products should also be raised.

South Africa. BSA: Yes. An enterprise culture should be promoted in a variety of ways, not only through mass media awareness campaigns.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Sudan. (c) Organizing competitions and giving incentives to those who succeed.

Suriname. (c) Designing and implementing mass media awareness campaigns through the promotion of intermediate or consultancy institutes to which the SMEs can go for advice or assistance on aspects such as finance, credit, administration, etc.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. (a) Measures should be taken, solely through the education and training system, to create and develop an enterprise culture.

USS: Similar reply to that of Israel — Histadrut.

UCAPS: (a) It is important for the educational system to take account of the qualifications required by enterprises and to inspire the entrepreneurial spirit. (b) Where required, these mass media awareness campaigns are the responsibility of economic and employers' associations, or of consumers' associations and governments.

USAM: (a) Training systems could pay greater attention to these issues.

Turkey. Yes. National experiences should be shared at an international level and developed by governments.

TÜRK-IS: (b)(iv) No.

United Kingdom. CBI: (a) Yes. More links between schools, colleges and SMEs will help to ensure that young people are aware of the vitality and attractiveness of the sector. Encouragement must be given to young and old alike to be ambitious, take sensible risks and to embrace the occasional failure. (b) Yes. The media have an important role to play in raising awareness and the profile of successful entrepreneurial role models.

United States. USCIB: (a). Yes, as the ILO report notes on page 19: "The ability to apply knowledge has become an important source of competitive advantage for individual enterprises, industrial sectors and regions". All investments in human capital are likely to produce economic returns, although the nature of education should be left to individual countries to determine as appropriate. It is unclear whether the introduction of entrepreneurial skills into education would have the ultimate effect of creating more entrepreneurs. In general, human capital investments should focus on reasoning skills. (b)(i). No. Lawful and socially desirable business practices should be pursued and promoted as a matter of course, so that it seems unnecessary to justify their pursuit as a mechanism for fostering an SME-friendly environment. Moreover, unless a strong consensus exists as to what constitutes socially desirable business practices, regulations in this area may simply hinder the development of SMEs. (ii) No. The achievement of higher standards in productivity is the ultimate determinant of higher living standards and economic development. A mass media campaign to promote higher productivity would be akin to a mass media campaign exhorting citizens to "be nice", or "act responsibly". The best mechanism for achieving higher productivity is a hands-off approach to the free market. Working conditions and productivity are determined by the strength of the enterprise culture and the level of development of the economy. (c) The best mechanisms for encouraging an enterprise culture are to maintain a stable economic environment (i.e. low inflation, predictable tax rates), and government enforcement of property rights and contract law. Efforts to promote an enterprise culture by setting standards for working conditions, socially desirable business practices, etc. may serve legitimate social objectives, but are not effective ways of aiding an enterprise culture.

Workers: (b) Yes. There should also be emphasis on educating businesses about situations where improving working conditions can lead to productivity increases so that there is not necessarily a trade-off between profit and working conditions. This is discussed in the section of the Office report focusing on programmes to improve working conditions and productivity (page 60).

Uruguay. Employers: (a) Introducing such development into formal education. (b)(iii) No. (b)(iv) Yes.

Venezuela. CGT: No.

Employers: (a) Yes, through formal educational systems (secondary and university level), service organizations (Junior Chamber, Rotary and Lions Clubs, Kiwanis), neighbourhood associations, civil associations and trade unions, fairs, exhibitions, competitions.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

A very large majority of the replies are affirmative for the inclusion of the proposed provision. Several replies, particularly from workers' organizations, expressed the view that the concept of an enterprise culture should include good industrial relations, respect for workers' rights and social equity, which, while implied in the text, are not explicitly mentioned. The Office has noted the observation and amended the text to reflect them by adding the words "good labour relations, and social practices which are equitable" after the word "quality" in the initial part of *Point 12* in the Proposed Conclusions.

In respect of subparagraph (a) of Question 15, almost all replies expressed strong support for the proposed provision. Some replies pointed out that the provision should emphasize that education and training programmes should highlight the importance of good labour relations, and the particular mix of managerial and vocational skills needed by SMEs. The Office considers the proposals appropriate and has amended the text accordingly by minor editorial changes and by adding the words "with particular emphasis being given to the importance of good labour relations, and the vocational and managerial skills needed by SMEs" in subparagraph (1) of *Point 12* of the Proposed Conclusions.

In respect of subparagraph (b) of Question 15, very strong support was received for the proposed provision. One recurrent comment refers to the perceived need to involve the established infrastructure of the social partners in the implementation of the proposed programmes. The Office finds this suggestion appropriate and has amended the text accordingly in subparagraph (2) of *Point 12* of the Proposed Conclusions, by adding the words "with full involvement of the organizations of employers and workers concerned" after the words "the design and implementation of".

Regarding subparagraph (c), a number of additional strategies for the promotion of an enterprise culture have been suggested. Of particular note are: (i) the organizing of trade fairs to showcase SME products and achievements; (ii) the promotion of information exchange amongst SMEs and among the people who work in them. While recognizing the value of these suggestions, the Office has decided not to incorporate them into the Proposed Conclusions at *Point 12* at this stage, since they are covered further on in the Proposed Conclusions under *Point 13* which is concerned with SME support services.

The provisions proposed under Question 15, amended as indicated above, now stand as *Point 12* of the Proposed Conclusions.

VI. Development of an effective SME service infrastructure

Qu. 16 *Should the instrument provide that the competitiveness, growth and job creation potential of SMEs may be enhanced through the provision of a range of direct support services? If so, should these include:*

(a) managerial training and skills enhancement?

(b) research and consultancy services?

(c) access to credit?

(d) quality testing and measurement?

(e) marketing assistance?

(f) packaging services?

(g) product design?

(h) business start-up assistance?

(i) information services?

(j) export promotion?

(k) advice regarding technology?

(l) physical infrastructures such as water, electricity and premises?

(m) support for innovation?

(n) legal, accounting and other professional services?

(o) other support services? (Please specify.)

Total number of replies: 65.

Affirmative: 62. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belarus, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia ((a), (c) to (e), (k), (m), (n)), Costa Rica ((a) to (e), (g), (i), (k), (m), (n)), Cyprus, Czech Republic, Denmark, Dominica, Egypt, Finland ((a) to (e), (g) to (n)), France ((a), (c), (j), (m)), Germany, Hungary, Italy, Japan ((a) to (e), (k) to (n)), Jordan, Kenya, Kuwait, Kyrgyzstan ((a) to (f), (h) to (n)), Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar ((e) to (h), (j) to (l)), Netherlands, Nicaragua, Norway, Oman, Panama, Peru, Philippines, Poland ((a), (c), (h), (m), (n)), Portugal, Qatar, Romania ((a) to (d), (h) to (j), (n)), Slovakia, Spain, Sudan, Suriname, Switzerland, Syrian Arab Republic, Thailand ((a), (b), (e), (h), (i), (k), (l), (n)), Turkey, United States, Uruguay, Venezuela, Yemen ((a), (b), (e) to (g), (k)).

Negative: 4. Bangladesh, Finland ((f)), Poland ((b), (d) to (g), (i) to (l)), Yemen ((c), (d), (h) to (j), (l) to (n)).

Other: 2. Belgium, New Zealand.

Argentina. With regional integration and present-day technological and organizational change, SMEs are facing new economic ground rules and need support services to develop their strategies if they are to be competitive. This support must come from all areas of the public and private sectors that have relevant information.

Australia. Yes; however, "provision" connotes government obligations. "Access to" may be more appropriate. Australia's approach has been to emphasize those factors which are critical to small firm growth and/or their success in the global enterprise. This encompasses innovation, uptake of technology, commercialization of research and development, enterprise improvement and export promotion.

ACCI: Yes. Two points should however be made. Firstly, this is a broad list. To ensure that resources are used efficiently, the instrument should provide for pre-testing and surveying prior to any initiatives to ensure that they are exactly what employers in SMEs actually want and need to create employment. Secondly, these are areas in which a range of existing organizations, especially established employer bodies, already offer services. Considerable expertise exists, and should be harnessed by governments wishing to provide services. Any instrument should provide for flexible implementation and should encourage governments to utilize and finance non-government service providers, in preference to establishing new government infrastructure, wherever possible.

Bahamas. Yes.

Bahrain. Yes. (o) The provision of employment to jobseekers and the dissemination of information on vacancies.

Bangladesh. No. The list of various measures/services proposed in Questions 16 to 22, and intended to be covered by the instrument, is so comprehensive and rigorous that strict adherence would be much beyond the competence of any developing country, especially Bangladesh. The service infrastructure issues of SMEs are already covered by the existing policies and market mechanisms of individual countries and the adoption of any international instrument on the subject is not warranted.

Barbados. (o) Group lending or cooperative efforts could be developed to enhance this area.

Belarus. (o) The potential of SMEs may also be enhanced by patent and licensing services.

Belgium. Since more and more SMEs are, on the one hand, having certain tasks performed outside the enterprise and, on the other hand, are looking outside for occasional skills that they cannot afford to maintain permanently, the promotion of services for SMEs is a growing structural need. There is no traditional approach to how much the authorities should be involved in providing these services. The more widely applicable a service is, the more important its public content is. (o) "Single window", or rather "first window", for the formalities associated with the creation of an enterprise.

CNT: Yes. (o) Training and occupational safety and health education.

Brazil. (o) Emphasis could also be placed on support services for the establishment of cooperatives and consortia of SMEs as a means of overcoming individual limitations and making full use of limited resources.

CNT: (o) The establishment of industrial areas near consumer markets, with loan financing plans compatible with the capitalization level of SMEs; incentives for the establishment of cooperatives for the construction of installations.

Burundi. Yes. However, not all member States are in a position to provide these services and the ILO should envisage stepping up its assistance in this domain.

Canada. Yes. (l) Yes, for broad-based infrastructure such as water, sewerage and electricity but not for buildings/premises, which should be provided through the market mechanism or the private sector. Experience to date suggests the importance of adequate water and electrical infrastructure to the success of small, rural-based enterprises, especially those involved in small-scale manufacturing and processing. (o) Human resource services in the areas of employment standards, labour code, occupational health and safety.

CEC: (a) A proliferation of skills development courses already exist in most developed countries, such as Canada. However, an important role for governments is to balance the need for access to social services with encouragement and incentives to seek employment. In this regard, governments should alter the balance of their programmes away from social assistance and towards market-oriented skills development. They should increase the value of taxpayers' money spent on programmes through the reduction of programme proliferation and elimination of overlap and duplication, and focus training on developing skills that are in demand by employers or that can allow people to create their own business incentives. In particular, governments should place more emphasis on workplace-based and technologically delivered training, and entrepreneurship development. SMEs can be innovative and dynamic, particularly when aided by the emergence of a new, knowledge-intensive economy supported by sophisticated informational technologies. Developing an enterprise culture based on appropriate training, communication of role models, identification of commercial opportunities, and transition and upgrading support systems, will best create a climate in which SMEs can create new businesses, develop products, take advantage of new technologies and compete effectively. Most of the items listed in this question assume additional government activity in the provision of a range of direct support services. However, one of the most important characteristics of SMEs is their flexibility and ability to respond to opportunities quite apart from any government-developed infrastructure or support services. Government services almost inevitably result in additional paper work requirements, which means additional costs to SMEs, with no assurance of value added results. Individual businesses, not governments, are best placed to determine their own needs and problems, as well as where and when governments can and should provide assistance. The task of governments must be to ensure effective communication with SMEs and their representative organizations and specifically to look for alternative means for enhancing competitiveness, growth and job creation, without additional direct government intervention.

Chile. Yes. Such services should be designed in such a way that they are temporary, well-targeted and flexible, and thus properly adapted to the conditions prevalent in each individual country.

CONUPIA: (o) Quality certification and computer services.

China. Yes (o). Advice regarding policies.

Colombia. CGTD: Yes. Although virtually all the requirements listed under (a) to (m) exist in Colombia, the more specific the regulations are in the instrument, the fewer future conflicts there will be. (o) Workers should be permitted greater participation in the management of the enterprise. The administrative systems of SMEs are usually very restricted, which can lead to disasters in this area, and allowing workers to participate may avoid poor management practices.

ACOPI: Yes.

Cyprus. Yes. (o) Joint purchasing of raw materials and inter-firm cooperation.

Czech Republic. Yes, especially for services mentioned in (a), (c), (i), (j) and (n).

Denmark. Yes. In respect of Questions 16 and 17, Denmark finds these different issues a reasonable starting-point for discussions on which factors are of decisive importance for the framework conditions of SMEs. Sceptical about recommending/imposing such detailed formal requirements upon individual countries.

DA: No.

LO: Yes. The proposed support measures seem reasonable as a starting-point for discussions.

Egypt. (o) Services to provide land at a symbolic price in development areas, and the establishment of new communities to facilitate the task for those wishing to create SMEs.

EFTU: No.

Estonia. The role of governments may not be very important, but may provide some help in creating contacts.

EATU: Yes to all except (b), (f), (g) and (i).

ESEA: Yes.

ECIE: Yes.

Finland. Many of the forms of support mentioned in Questions 16 to 18 are important and used in a number of countries. However, services and forms of support should not lead to distortion of the competition conditions. On Question 16, the chances of enhancing the competitiveness, growth and employment potential of SMEs are crucially dependent on the infrastructure and other services provided by the surrounding society. Their availability is greatly dependent on the developmental stage of society and its structure of industries. SMEs not only use these services but produce and provide services for other SMEs, other enterprises and the surrounding society. It is the duty of the public authority to ensure, as far as possible, that the services are available, but starting from the principle that it is mainly the private sector which produces them. Each enterprise should decide whether it produces the services for itself and to what extent it will buy them from the surrounding markets. All the services except (f) are appropriate as direct support services. Direct assistance is desirable, especially at the start-up stage.

France. The instrument should provide for the possibility for those SMEs which wish to do so to have access to a range of support services. In the developed countries these should essentially relate to advice, access to credit (c), support for innovation (m) and export promotion (j). In developing countries, the range of these services could be broader and could include, furthermore, managerial training (a) and the setting up of logistic or general infrastructure services conducive to the creation and development of SMEs.

CFDT: Yes. These are necessary but should include education and occupational training, occupational safety and health, the employment and occupational integration of young people, collaboration and the pooling of resources among enterprises.

Germany. In principle, support services would appear useful. With regard to "job creation potential", instruments used in active labour market policies are designed to protect individual workers from unemployment and may not be used to promote SMEs.

BDA: (a) to (o) The instrument should not provide for individual measures as they do not contribute to resolving problems specific to individual countries.

DGB: General support for what is suggested in Questions 16 to 22. 16(o) Support services in the field of skills training; and advisory services for employees and their representatives.

Ghana. TUC: Yes. In addition to the list provided, priority should be given to education and vocational training, occupational health and safety and social protection institutions and labour arbitration services.

Hungary. Employers: (o) Support for the activities of interest groups in the given areas.

Iraq. GFTU: (a) to (h) Yes.

Israel. Histadrut: Yes. Among the support services needed by SMEs priority attention should be given to education and vocational training, occupational health and safety and social protection institutions, and labour arbitration services, all of which have been omitted from the list provided here. The elements already indicated on the list could additionally be considered for inclusion in any instrument.

Italy. Yes, paying particular attention to (i) and (j).

CONFINDUSTRIA: Yes. (o) Training for employers; enterprise management training; and transport services.

Japan. (j) Objection. Direct export promotion measures infringe the spirit of the WTO. In this connection, the Government of Japan has worked towards enlarging domestic demand. (n) No objection in so far as it does not compete with private services.

JTUC-RENGO: Yes. However, (f) is unclear. (j) does not accord with Japanese laws.

NIKKEIREN: Yes. It would be appropriate to provide all these services, which need to be implemented selectively in accordance with each country's conditions and priorities. (j) The balance with the expansion of domestic demand should be considered. (o) Provision of opportunities of exchange among industries, government organizations, and academic circles, and between industries and research and development institutions, fund providers and investors.

Jordan. Amman Chamber of Industry: Yes. (o) See remark on Question 15(a).

GFJTU: No.

Kenya. Yes.

Kuwait. Yes, but adding the words "and roads" to (l). (o) Organizing exhibitions.

Kyrgyzstan. Yes. (a) Higher level of managerial skills through internationally approved management training schemes. (b) Creation of a service to carry out research work and consultations. (c) Training in the obtaining of credit. (d) Internationally adopted system of quality testing and measurement. (e) Training of staff in the basics of marketing. (h) At the initial stage of an SME, an agency is needed to provide consultation services on how to plan and start up a business. (j) Formulation of standard-setting and legal basis for export promotion. (k) Study of the latest progressive technological methods both in the country and abroad as well as promotion of the dissemination of adequate information. (m) Assistance to SME employers in studying the positive practices of the industrialized economies and developing countries; organization of practical seminars.

Lebanon. Yes. Such support may come from different sources; it may be provided through specific arrangements between these enterprises themselves, through government assistance (as decided) or through external technical assistance, according to available capacities and conditions and the laws in force. Support of cooperation between SMEs (creation of cooperatives).

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Mauritius. Yes. Considering the fragile nature of SMEs, the necessary infrastructure and support services should be provided with a view to enhancing their competitiveness, growth and job creation potential. Well-serviced industrial estates should be available for newly started SMEs.

In addition, measures and support should be aimed at vulnerable groups of entrepreneurs, namely young entrepreneurs, women, retired persons and disabled and handicapped groups.

Mexico. Yes. In addition to the services mentioned, attention might also be given to support for the creation of integrated enterprises (i.e. a specialized service enterprise consisting of an association of small-scale production units, with a view to increasing its individual competitiveness and consolidating its presence in the market), which would allow associated SMEs direct access to services in the spheres of technology, promotion and marketing, product design, subcontracting and financing. It would be desirable for public and private higher educational establishments, professional bodies and employers' groups to participate by offering further training programmes in enterprise management. Such programmes could cover various technical levels up to postgraduate instruction. The instrument should also promote mechanisms similar to those available for SMEs at the international level and should facilitate the establishment of associative structures between micro, small and medium-sized enterprises enabling them to maximize their competitive advantages and become incorporated into production circuits. The proposed list of services should be considered only as the minimum necessary to the growth and consolidation of SMEs.

Netherlands. Yes, see remarks on Question 15.

New Zealand. The provision of support services to SMEs is a matter for individual member States to determine. The aim should be to ensure that businesses are self-reliant and do not become dependent on government assistance. New Zealand's enterprise assistance programmes are designed for this purpose.

Niger. SPEIN: (a) to (i), (m) to (n) Yes. (j) Yes, through taxation. (k) Yes. (l) Yes, add "means of communication".

USTN: Yes. Priority should be given to education, vocational training, health, social security and welfare, and creating institutions for social promotion and arbitration services. International labour Conventions should be applied.

Pakistan. PNFTU: Similar reply to that of Israel — Histadrut.

Panama. It is important to strengthen managerial training and skills enhancement. There should be programmes to train trainers in administrative areas so that the training of small entrepreneurs is more up to date, more efficient and more productive. Access to credit has possibly been one of the most limiting factors for entrepreneurs in this sector. SMEs are by their very nature high-risk enterprises and consequently they do not have access to credit in commercial banks. The establishment of an institute could be envisaged to consider and respond to the requests of the many thousands of entrepreneurs who need credit, or non-governmental organizations could be approached to provide such a service.

UNPYME: (a), (c), (g) to (k), (m) to (n) Yes. (b) Perhaps. (d), (e), (l) No. (o) Ensure that SMEs have access to the services they need to develop as far as premises, education, etc., are concerned.

Peru. Yes. Owing to their size and lack of resources, as well as the tendency small enterprises often have to specialize, these enterprises are very much conditioned by the types of public and private services to which they have access. Peru is coming out of one of the most severe economic crises of recent years as a result of the far-reaching changes applied at the beginning of this decade; small and micro-enterprises require the State to intervene and take up the role of promoter, guide and standard setter, so that SMEs can have access, in a favourable environment, to services, institutions and programmes to facilitate their growth, allowing them to create employment and contribute to satisfying the country's social needs.

CATP: Yes. (o) Data bank services.

Philippines. Yes. (o) Strategic planning, productivity improvement, product development, quality control, facilities upgrading, product promotion, export documentation, buyer-supplier matching programmes, and export trade facilitation.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

Portugal. CIP: The instrument should not define the objectives of the support services.

Qatar. Yes. (o) The provision of the land needed to set up the enterprise at a reasonable price or a symbolic rent; exemption from taxes for a given period, and the provision of material incentives according to specified criteria concerning production and the employment of the workforce.

Senegal. CNTS: Similar reply to that of Israel — Histadrut.

Slovakia. Yes. (o) Services for establishing SMEs; environmental protection; financial assistance; loans and guarantees; providing state subsidies; providing financial assistance by non-state bodies (such as the private sector, foundations, etc.).

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Suriname. Yes. (o) Services for location planning and access to working space.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. Yes. New SMEs suffer considerably as a result of their lack of experience, resources and information, and this makes it difficult for them to develop in a healthy manner and offer the possibility of stable jobs. It would therefore appear wise to offer these enterprises, during their initial years, the possibility of receiving support from a system grouping together all or part of the services listed in the question. The instrument seems in fact clearly to favour the creation of "incubators" within which new enterprises will be able to establish themselves on a provisional basis (e.g. for two or three years) enabling them to "consolidate" themselves before pursuing the business with their own funds. It is clear that the services proposed should be based on the needs of the SMEs.

USS: Similar reply to that of Israel — Histadrut.

UCAPS: Without prejudice to the usefulness of the services proposed, the instrument should not be so detailed.

USAM: It is clear that all policies should encompass all the elements covered in (a) to (n), but a clearer distinction should be made between which services the public and the private sectors are responsible for.

VSA: Only small and micro-enterprises should be concerned. In principle, the services listed should be provided not by the State but by joint bodies of the enterprises themselves.

Syrian Arab Republic. (o) Planning and organizing of industrial areas which can provide and facilitate the creation of worksites for SMEs.

Turkey. Yes. (o) SMEs operating in the same field should be encouraged to grow by entering into coordination and cooperation with one another.

TISK: Yes. (o) SMEs operating in the same field should be encouraged to enlarge through mutual coordination.

TÜRK-IS: No.

United Kingdom. CBI: Nowhere are the needs of SMEs more apparent than in designing the provision of information about regulations, the market, or support services on offer. The design and delivery of the SME service infrastructure should be organized on a national, regional, or local level so that it is relevant to the prevailing economic, social and cultural conditions. An instrument is therefore not seen to be necessary in this area. Effective services depend on achieving the right balance of partnership and competition, local responsiveness and national fairness and quality control. Efficient provision requires flexible cooperation between local partners — each with a clear sense of identity — and excellent networking at the national level.

United States. USCIB: No. In the United States, fees are not charged for most small business assistance provided by small business development centers, and it is likely that the provision of this assistance benefits SMEs, if for no other reason than simply lowering many of the costs faced by SMEs. However, by itself, this does not justify government's role in providing or otherwise mandating the provision of direct support services to a sector of the economy. To do so, one must first determine if there are systematic market failures that impede free market operation to such an extent that they need to be addressed through governmental channels. Regulated provision of utilities such as water and electricity are legitimate areas for government controls or regulation, but hardly need to be justified by the promotion of SMEs. However, it seems difficult to argue that systematic market failures exist that impede the provision of most of the items listed above, such as accounting or legal services. In fact, defining establishments employing fewer than 100 workers as SMEs implies that free or subsidized accounting and legal services would be available to 97.9 per cent of all establishments in a country such as the United States. In other words, they would become public enterprises. There may be instances where SMEs do not recognize the value of these services until they have used them, or it may be prohibitively expensive for one SME to purchase some of these services alone. In these cases, programmes and policies directed towards assisting SMEs may be beneficial, but many of these problems could be addressed through associations or organizations of SMEs rather than the direct provision of free or subsidized services. Moreover, it is important to consider whether those SMEs that benefit from these programmes and policies are doing so at the expense of non-beneficiaries.

Uruguay. Yes. (o) Assistance for the establishment of consortia or associations.

Venezuela. CGT: Yes.

Employers: (a) Yes, see Question 3(b). (b) Yes, by SMEs, trade associations or academic establishments. (c) and (n) Yes, trade associations, cooperatives, financial institutions, but not through government intermediaries, in order to avoid politicization. (d) and (g) Yes. (e) Yes, emphasizing that it should be efficient and not burdensome. (f) Yes, but also efficient and economic transport. (h) Yes. See Question 5(a) and (b). (i) Yes, by promotion through trade associations. (j) Yes, by promotion through trade associations. (k) and (m) Yes, increasing exchanges between academic and research institutes. (l) Yes, emphasizing state decentralization.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

Replies demonstrate overwhelming support for the envisaged provision and a large majority for each of the subparagraphs (a) to (n). A few replies indicate that the proposed list of services is too detailed for the proposed instrument while some others feel that the proposed list provides a good basis for further discussions. Regarding subparagraph (o), a large number of suggestions were made for additional services. The Office feels that many of these are appropriate and, where they are not dealt with elsewhere, has decided to include them in *Point 13* of the Proposed Conclusions under subparagraphs (o) to (q). The Office has also decided to amend subparagraph (l) to take account of the comments made in replies to Question 23.

A few replies, while indicating general support for the principle of SME services, express the view that they must be designed and delivered with due care for the effects on existing service providers and the markets for such services. The Office recognizes the validity of these concerns, but has decided not to reflect them in *Point 13* of the Proposed Conclusions. Instead, reference has been made to this issue under subparagraph (g) of *Point 14* of the Proposed Conclusions which is directly concerned with the design and manner of provision of such direct support services.

The provision contained in Question 16, as amended, is now the subject of *Point 13* of the Proposed Conclusions.

Qu. 17 *Should the instrument provide that, as far as possible, the delivery of such services should ensure the highest degree of relevance and efficiency through such means as:*

(a) adapting the specific services and their delivery to the particular prevailing economic, social and cultural conditions?

(b) encouraging private sector involvement in the delivery of services through, for example, trade associations, workers' organizations, semi-public organizations and private consultants?

(c) decentralizing the delivery of services, thereby bringing them as physically close to the SMEs as possible?

(d) ensuring strong involvement of SMEs in the determination of services to be offered?

(e) providing services tailored to the specific needs of SMEs in different sectors and of different sizes?

(f) promoting easy access to an integrated range of services through "single window" arrangements and referral services?

(g) aiming towards self-sustainability through a reasonable degree of cost recovery from SMEs and other sources?

(h) ensuring professionalism and accountability in the management of service delivery?

(i) establishing mechanisms for continuous monitoring, evaluation and updating of services?

(j) other means? (Please specify.)

Total number of replies: 62.

Affirmative: 57. Argentina, Australia, Austria, Bahamas, Bahrain ((a) to (e), (h), (i)), Barbados, Belarus, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile ((a) to (c), (f), (g)), China, Colombia ((b) to (f)), Costa Rica ((b) to (f), (h), (i)), Cyprus ((a) to (f), (h), (i)), Czech Republic, France ((a) to (d), (f), (i)), Denmark, Dominica, Egypt, Hungary, Italy, Japan, Jordan ((a) to (c), (g) to (i)), Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, Nicaragua, Norway, Panama, Peru, Philippines, Poland ((b), (f), (i)), Portugal, Qatar, Romania, Slovakia ((c)), Spain, Sudan, Suriname, Switzerland, Syrian Arab Republic ((b), (f), (g)), Turkey, United States, Uruguay, Venezuela, Yemen ((a), (b), (e), (h), (i)).

Negative: 5. Bangladesh, Estonia, Poland ((a), (c) to (e), (g), (h)), Syrian Arab Republic ((a) and (c)), Yemen ((c), (d), (f), (g)).

Other: 3. Belgium, Finland, New Zealand.

Argentina. Yes. See reply to Question 16.

Australia. Yes, to ensure not only that SMEs derive the maximum beneficial effect from assistance provided but that there is efficient utilization of government expenditure.

ACCI: Yes. The absolute maxim which should be enshrined in an instrument is that the delivery of services should ensure the highest degree of relevance and efficiency possible and should be delivered by whichever organization(s) can do this. (a) Yes. This will be facilitated by the devolution to regional authorities foreshadowed in reply to Question 14 and by service delivery through expert non-government organizations. (b) Yes. This issue underpins the ACCI response to these issues. Trade associations, and other employer associations have the best expertise to deliver services and should do so wherever possible. (c) Yes, to ensure that the services meet the needs of SMEs and respond to them quickly and efficiently. (d) Yes. SMEs should have a role in the determination of services offered, but this should be undertaken through their representative organizations. A range of bodies, some of which are quite transitory, claim to represent SMEs. The only way to ensure continuity and to access the views of small business is to work with existing representative structures such as employers' associations. (e) Yes. Services should be flexible in this way, but their structure should not be so complicated that SMEs are discouraged from using them. (f) Yes. Such an approach is desirable, and should be undertaken by existing organizations (see (a) above). (g) Some degree of cost recovery is important, but account should be taken of the fact that cost is a considerable disincentive to SMEs using many existing services. Since the aim is to facilitate employment, the cost of policies in accordance with any instrument should, at least initially, be borne by governments. (h) Yes. Efficient audit and monitoring of service providers (governmental or independent) should ensure this. The efficiency of independent providers should also be monitored. (i) Yes. Again, this is crucial.

Austria. (a) Essentially yes. However, no workers' unions should be involved in the delivery of support services for SMEs. (b) Yes. This role should be performed by employers' organizations and private, semi-public or public institutions. Workers' organizations should concentrate primarily on representing and promoting workers' interests.

Bahrain. (j) Carrying out applied research studies.

Bangladesh. No. See reply to Question 16.

Belgium. No particular comments on proposals (a) to (i), which are almost all being applied in Belgium.

CNT: In Belgium a whole range of private and public sector operators provide assistance to SMEs according to their particular nature.

Bulgaria. Yes. Priority should be given to (a) and (e).

Canada. Yes. (b) Yes, where feasible. This may not be possible in rural and remote areas. (g) Yes. Policies of public-private sector partnership are in the best interests of the economy, where cost recovery is a longer term goal (and there may be a move towards more privatization of services), with continued public sector support where appropriate.

Chile. CONUPIA: Yes.

Colombia. CGTD: Yes. However, (g) is not clear because if the reference is to SMEs, these will not be able to become self-sustainable unless they change their role and become large enterprises.

Cyprus. (e) and (f) Yes, if feasible.

Czech Republic. KPZS CR: It is necessary to determine who is going to finance these direct support services.

SPD CR: To be left to the judgement of individual governments according to national conditions.

Denmark. See reply to Question 16.

DA: Generally no.

AC: (a) to (c), (g) to (i) Yes.

LO: Generally yes.

Estonia. EATU: (a) to (c), (f), (h), (i) Yes.

ECIE: Yes.

ESEA: Yes.

Finland. See reply to Question 16.

France. (a) to (d), (f), (i) Yes.

CFDT: Yes. (j) Involving the representatives and workers of SMEs in the choice of services, including their participation in social areas.

Germany. BDA: (a) to (j). See under Question 16 (a) to (o).

Ghana: TUC: (a) Yes. Any services clearly need to be adapted to the specific circumstances of particular countries (regarding (a)) and those of particular SMEs (e), on the basis of respect for international labour Conventions. (b) Yes. Private sector involvement could be encouraged as part of public and private sector partnerships to deliver effective services. (c) The appropriate level for the delivery of services is a matter depending on national circumstances. (d) Yes. SME representatives and workers need to be involved in the determination of services. (f) to (i) Yes. Easy access to services, self-sustainability, accountability and continuous updating are all worthwhile principles to be applied.

Hungary. Employers: (b) and (f) No. (a) and (b) Encouragement should be given to market-related activities. What is not market-related should not be encouraged. (c) to (f) The provisions should not be as specific as this.

Iraq. GFTU: Yes.

Israel. Histadrut: Similar reply to that of Ghana — GTUC.

Italy. Yes, as far as possible.

CONFINDUSTRIA: Yes. (j) Encouraging inter-enterprise cooperation in export promotion; guaranteeing loans; promoting joint services.

Japan. Yes. (c) However, from the point of view of uniformity of measures, it is necessary for the national government to control the actual delivery of services as a whole. (g) No objection provided that it does not impose too great a burden on SMEs.

JTUC-RENGO: Yes.

NIKKEIREN: (a) Yes, enhancing efficiency through the delivery of flexible services adapted to each country's local conditions. (b) Yes. While private sector involvement in the delivery of services is welcome in that it introduces the principle of competition and makes services efficient, it should be a measure for strengthening the dynamics and management basis of SMEs. Accordingly, private sector involvement that is not in line with this concept, for example, the involvement of organizations that speak for associations and organizations with one-sided purposes in pursuit of workers' benefits only, should be avoided. (c) and (d) Yes. (e) Yes, provided that it does not impair the equality of enjoyment of services among all the SMEs, it is appropriate to respond to the specific needs of SMEs in different sectors and of different sizes. (f) Yes, for promoting efficient utilization and increasing convenience. (g) and (h) Yes.

Jordan. Amman Chamber of Industry: See reply to Question 16.

FJCC: Yes.

GFJTU: Yes.

Kyrgyzstan. The highest degree of production efficiency should be guaranteed by: (a) adapting currently applied measures to particular regional, socio-economic and cultural conditions; (b) encouraging private sector involvement in production activities and the delivery of services through assistance in raw materials supply and the marketing of produced goods; (c) encouraging the process of decentralization of SMEs' activities in terms of delivery of services to the population; (d) ensuring free choice of SMEs with regard to their specialization; (e) providing services to SMEs according to their specific needs; (f) organizing and ensuring the functioning of referral units to provide access to the whole range of existing services; (g) ensuring self-financing of SMEs or stable financing from other sources; (h) creating a system of retraining and upgrading of SME managerial staff; (i) establishing mechanisms for continuous reporting, evaluation and updating of services according to the changing conditions of economic activities.

Lebanon. Yes. The means indicated in (a) to (i) may be accepted in differing degrees according to national conditions. However, there remain the questions of whether they are fully applicable, whether this approach does not constitute a discriminatory treatment in favour of SMEs and whether this approach will also be applied in the case of large enterprises. In addition, (d), (f) and (g) should be discussed. (j) The development of cooperative models should be promoted to encourage cooperation between SMEs involved in similar activities.

Lithuania. LDS: Similar reply to that of Ghana — GTUC.

Mauritius. (j) Well-serviced industrial estates and incubators should be available for newly started SMEs.

Netherlands. Yes. See reply to Question 15.

New Zealand. The delivery mechanisms for services relevant to SMEs should be determined by individual member States.

Niger. USTN: Yes.

SPEIN: (a) Take into account these different factors but avoid any levelling down. (b) to (f), (h), (i) Yes. (g) Which sources?

Pakistan. PNFTU: Yes.

Panama. These services should be delivered in the most efficient manner possible, in particular by encouraging private participation and thereby ensuring the quality of the services. The promotion of easy access to an integrated range of services through "single window" arrangements and referral services is especially necessary given that small enterprise entrepreneurs often perform all the functions within the enterprise, and therefore a system of this sort would greatly facilitate their role.

UNPYME: (g) The concept is not clear. It is not appropriate if it means that SMEs will have to bear the costs of the services, as most of them are unable to take on any additional costs.

Peru. Yes. SMEs and entrepreneurs have different needs; therefore as they probably require services specifically adapted to their sector, all the proposed alternatives should be provided in the instrument.

Poland. Solidarnosc: Similar reply to that of Ghana — GTUC.

Portugal. (j) Emphasis should be placed on "single window" arrangements and coordinated information services.

CIP: Reservations about indicating the means whereby adaptability and efficiency can be ensured.

Senegal. CNTS: (a), (e) to (i) Yes. (b) Yes, in the framework of a public-private partnership. (c) This depends on national circumstances. (d) Yes. The workers' representatives must participate in the choice of services.

Slovakia. (c) Yes. The instrument should mention that these services need to be decentralized, as closely as possible to the SMEs.

South Africa. BSA: (a) Yes. This is important, but it depends on a range of factors. (e) Clarity is required as to who will identify such needs. The needs as perceived by SMEs themselves and professional consultants usually differ. (f) No. Single window arrangements are not possible — the emphasis should be placed on "referral services", e.g. desk jobbing. (g) Doubts as to whether this is possible. (h) Yes. This cannot be ensured, but should be encouraged. (i) Yes. Fostering the accessibility and affordability of services, particularly at the micro-level.

Sri Lanka. CWC: Similar reply to that of Ghana — GTUC.

Suriname. Yes. It is very important because one bottleneck for SMEs is their lack of information. (f) Yes, but on a decentralized basis.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. Yes, but only in principle. Such a detailed list would be detrimental to the implementation of the instrument.

USS: Similar reply to that of Ghana — GTUC.

UCAPS: Yes, subject to the reply to Question 16.

USAM: Yes. (g) Yes, although the meaning of this clause is not clear: is there a camouflaged subsidizing of SMEs here? If so, this instrument should be handled with the greatest possible prudence.

VSA: Only small and micro-enterprises should be concerned, and the measures proposed should be carried out not by the State, but by the joint bodies of the enterprises themselves.

Syrian Arab Republic. (b) Yes, since employers' organizations in developing countries include both SMEs and major enterprises, although SMEs are in the majority.

Turkey. TISK: (b) "Employers' organizations" should be added.

TÜRK-IS: No.

United States. USCIB: No. Of course, in the few possible instances where such services are delivered, all the items mentioned should be pursued as far as is practical, particularly (g). However this subparagraph raises important questions. Should the private sector not be left to provide those services that are financially self-sustaining? Does not the fact that some services will never be financially self-sustaining indicate that they are not valued sufficiently by SMEs to merit their subsidized provision? With the exception of utilities, it is difficult to believe that assistance to SMEs constitutes a net benefit and that the private market does not provide adequate services for SMEs.

Venezuela. Employers: (a) to (c) Yes. (d) Yes. The "market" consisting of SMEs should determine the services to be provided. (e) Yes, see (b). (f) This is not efficient if done through governments. (g) Yes. See Question 16. (h) Yes, see (f). (i) Yes, for example, federations monitor their affiliated chambers, issuing their approval.

Zaire. CDT: Similar reply to that of Ghana — GTUC.

Nearly all government replies supported the provision envisaged in Question 17 and most supported all the means listed in subparagraphs (a) to (i). The high degree of consensus amongst governments was reinforced by an equally high degree of agreement in support of the provision by workers' and employers' organizations.

Some replies suggested that other means of ensuring effective service delivery should include the promotion of cooperative forms of organization amongst small firms. Since this issue is taken up in a later question, the Office has decided that it would be inappropriate to introduce the matter here. A small number of replies indicated that the meaning of subparagraph (g) was not completely clear; consequently the Office points out that the intention was that "self sustainability" should refer in this context to the providers of services, and not the SMEs. Although the large majority of replies indicate that the question was interpreted as intended, nevertheless the Office has decided to amend subparagraph (g) at *Point 14* in the Proposed Conclusions with the addition of the words "for service providers" after the phrase "self-sustainability". In the Office's commentary to Question 16, it was noted that some replies pointed out that when introducing services, account should be taken of the possible effects on existing service providers and the functioning of markets. In response, the Office has decided that an additional amendment should be made in subparagraph (g) of *Point 14* of the Proposed Conclusions through the addition of the words "in such a manner as to limit the possible effects on existing service providers and the functioning of markets". Furthermore, the ordering of the subparagraphs has been amended slightly to reflect the priority of the various measures proposed.

The provisions contained under Question 17, as amended, now stand as *Point 14* of the Proposed Conclusions.

Qu. 18 *Should the instrument provide that, whenever possible, services should be designed in such a way as to include productivity-enhancing approaches which promote efficiency and satisfactory labour practices and working conditions?*

Total number of replies: 61.

Affirmative: 56. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belarus, Brazil, Bulgaria, Burundi, Canada, Chad, Chile, China, Cambodia, Central African Republic, Colombia, Costa Rica, Cyprus, Czech Republic, Dominica, Egypt, Estonia, Finland, France, Germany, Hungary, Italy, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, Nicaragua, Norway, Philippines, Panama, Peru, Poland, Portugal, Qatar, Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 1. Bangladesh.

Other: 4. Belgium, Denmark, Japan, New Zealand.

Australia. ACCI: Yes. The objective of any policies should be productivity enhancement. While they can be, and often are, motivated by altruistic societal goals, the proprietors of SMEs are even more likely to be amenable to productivity-enhancing employment policies. Thus, services should be designed to include such approaches. The promotion of satisfactory labour practices and working conditions is an important goal, and one which may have a place in service design, but such issues are addressed by a range of other international and national instruments that have their own information and enforcement provisions. Any promotion of labour standards should be subordinate to the emphasis on employment and should be presented to employers in the context of a broad "best practice" approach. The instrument should reflect this and should indicate that productivity enhancement is the pre-eminent goal and that the promotion of labour practices and working conditions is a subordinate goal that, although important, should not be allowed to detract from employment enhancement.

Bangladesh. No. See reply to Question 16.

Belgium. This question is not particularly relevant.

CNT: This question is inadequate both in content and in its formulation and should therefore not be included in the proposed instrument.

Bulgaria. Yes, whenever possible.

Canada. Yes. The means of productivity enhancement may differ among sectors and economies and should not be prescribed.

CEC: No. In developed countries successful SMEs are already demonstrating their ability to introduce productivity enhancements and organize workplaces and job schedules that best meet competitive requirements and increase profitability, while at the same time meeting the needs of employees for suitable working schedules and the requirements of labour legislation.

Denmark. There should be a discussion among the social partners.

DA: No.

AC: Yes.

LO: Yes.

Finland. Yes.

France. Yes. Assistance services obviously help to increase SME productivity.

CFDT: Yes. Satisfactory labour practices and working conditions should constitute the basis of the provision of services to SMEs.

Germany. Yes. Reference could be made to the relaxation of working time rules as a productivity-enhancing approach.

BDA: The statement that services should be designed in such a way as to include productivity-enhancing approaches which promote efficiency is an obvious truth and superfluous.

Ghana. TUC: Yes. Satisfactory labour practices and working conditions need to be the basis for the provision of services to SMEs, not merely a consideration to be taken into account "whenever possible".

Hungary. Employers: No. This does not need to be recommended. It will either be generated by the market or not.

Iraq. GFTU: Yes.

Israel. Histadrut: Similar reply to that of Ghana — GTUC.

Italy. CONFINDUSTRIA: Yes.

Japan. Together with productivity-enhancing approaches, labour practices should be left to each enterprise.

JTUC-RENGO: Yes.

NIKKEIREN: No. Since productivity-enhancing approaches vary from one enterprise to another, uniform and detailed provisions should not be established.

Jordan. GFJTU: No.

Kyrgyzstan. Yes. The promotion of SME development should include such elements as improving labour productivity, enhancing the effectiveness of production, improving working conditions and introducing new production technologies.

Lithuania. LDS: Similar reply to that of Ghana — GTUC.

Mexico. Yes. All aspects should be included which encourage employment in the best productivity-enhancing working conditions, although measures should not be limited to productivity alone but should also stress quality and innovation.

Netherlands. Yes. See reply to Question 15.

New Zealand. See reply to Question 17.

Niger. USTN: Yes, but as the basis, and not "whenever possible".

Pakistan. PNFTU: Similar reply to that of Ghana — GTUC.

Panama. UNPYME: No.

Poland. Solidarnosc: Similar reply to that of Ghana — GTUC.

Portugal. Yes. The instrument should provide that as far as possible services should be designed in such a way as to include productivity-enhancing approaches.

CIP: No.

Qatar. Yes. Without this approach the services may lose their effectiveness and their aim.

Senegal. CNTS: Yes.

Sri Lanka. CWC: Similar reply to that of Ghana — GTUC.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. Yes, in principle.

USS: Similar reply to that of Ghana — GTUC.

UCAPS: No, this provision is not necessary.

USAM: This provision is not particularly useful.

United States. USCIB: Yes. Productivity is the ultimate determinant of living standards and economic well-being, and productivity-enhancing approaches should always be adopted.

Venezuela. Employers: Yes, geared to labour intensiveness in preference to intensive investment of capital.

Zaire. CDT: Similar reply to that of Ghana — GTUC.

An overwhelming number of replies to Question 18 are affirmative. Some replies from workers' organizations object to the inclusion of the phrase "whenever possible". The Office has noted the comment, but has decided, in view of the very strong support indicated for the provision contained in the question, to retain the phrase, whilst suggesting that the Conference might wish to debate the issue.

Further, a few replies suggested that the proposal was too narrow or specific in scope, and that for example other goals such as improved quality, innovation, and technological improvement could be added. The Office accepts that the proposed areas are important and has decided to add the words "and other approaches" after "productivity enhancing". Also, for the sake of clarity, the words "and satisfactory ..." have been replaced by "together with improved".

The provision contained in Question 18, amended as above, has been included as *Point 15* of the Proposed Conclusions.

Qu. 19 *Should the instrument promote improved access by SMEs to finance and credit? If so:*

(1) except in the case of particularly vulnerable groups of entrepreneurs, should credit and other financial services be provided as far as possible on commercial terms to ensure their sustainability?

(2) should supplementary measures be considered to overcome such problems as complicated procedures, inadequate collateral from SMEs and high transaction costs, by means of, for example, non-governmental financial retail agents and poverty-oriented development finance institutions?

(3) should SMEs be encouraged to organize in mutual guarantee associations?

Total number of replies: 62.

Affirmative: 58. Argentina, Australia, Austria ((19), (19.1), (19.3)), Bahamas, Bahrain, Barbados ((19), (19.1), (19.2)), Belgium, Brazil, Bulgaria, Burundi ((19) and (19.2)), Cambodia, Canada, Central African Republic, Chad, Chile, China ((19), (19.2), (19.3)), Colombia ((19), (19.2), (19.3)), Costa Rica ((19), (19.1), (19.2)), Cyprus, Czech Republic, Dominica ((19), (19.1), (19.2)), Egypt, Estonia, Finland, France, Hungary, Italy ((19) and (19.1)), Japan, Jordan ((19.3)), Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar, Netherlands, Nicaragua, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Slovakia (19.3), Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States ((19), (19.1), (19.2)), Uruguay ((19), (19.2), (19.3)), Venezuela ((19.2) and (19.3)), Yemen ((19) and (19.3)).

Negative: 9. Austria (19.2), Bangladesh, China ((19.1)), Denmark, New Zealand, Norway, United States ((19.3)), Uruguay ((19.1)), Yemen ((19.1) and (19.2)).

Other: 0.

Argentina. Yes, since access to finance is a major problem for SMEs, which often do not have sufficient paid-up capital for credit institutions.

Australia. Yes. Improved access to finance is a key factor in SME growth. However, the Recommendation should avoid being prescriptive on this point. Any reference to the promotion of improved access to finance and credit for SMEs should be consistent with commercial realities.

ACCI: It is inappropriate to extend to SMEs separate financial requirements, exempting them from fiscal duties that govern larger firms. This is not to say that financial incentives to smaller businesses should not be encouraged, or to suggest that simpler procedures (such as regarding paperwork) for small businesses is less than desirable. Rather it is to recognize that exempting small businesses from ordinary demands for fiscal rectitude, responsibility and viability is not in the interests of either the proprietors of SMEs or their prospective employees. It is in no one's interest to extend finance artificially to SMEs which are not viable, stranding employees and bankrupting entrepreneurs. Credit and financial services should always be provided on commercial terms. It is inappropriate to regulate such matters for one group only, and any instrument should recognize this. It is also inappropriate to suggest that specific financial institutions be established to "pick winners". Similarly mutual guarantee associations have a poor record, and merely expose SMEs to risk. An instrument should therefore not attempt to finance new SMEs artificially. This is an inappropriate use of resources that is unlikely to lead to macroeconomic benefits in member States. In Australia, existing financial/credit institutions offer finance at a reduced rate to SMEs that have undertaken education in how to run a business. These education programmes have been run through employers' associations, and address taxation, marketing, pricing, labour relations, and other issues. An instrument should encourage the use of such policies, rather than proposing artificial tampering with the lending of capital in a manner likely to lead to increased risk and bankruptcy.

Bangladesh. No. See reply to Question 16.

Belgium. A distinction should be made between economies where capital is available and abundant and those where there is a lack of it, resulting in a high cost for borrowing. In Belgium, the only quantitative restrictions facing the credit market are those imposed by suppliers of capital. Furthermore, the most favourable situation for SMEs is to seek the best balance between borrowed funds and equity capital. The various forms of SME financing should be considered as complementary to one another. (1) It is entrepreneurs who are just starting up and unemployed persons taking up an independent activity who constitute the more vulnerable groups and come up against the most financing problems. Financing arrangements are needed with conditions for the granting of credit which are specifically geared to SMEs. Furthermore, if private financiers must respect commercial terms, there is nothing to say that public assistance could not be considered (directly or funded by taxation) in order to lighten the financial burden of borrowed capital or to establish equity capital in SMEs. (2) Yes, but it is unjustified to exclude government agencies from these initiatives. Some public and private financiers as well as financial markets specialize in providing risk capital for SMEs: venture capitalists and the unlisted securities market are two examples. (3) This possibility offers the advantage of creating strong ties between entrepreneurs and leads to the establishment of particularly favourable business networks. In Belgium, the authorities have also developed guarantee funds which act as a counterbalance to credit market cycles, which is particularly useful for SMEs.

Canada. CEC: Financial support that provides opportunities for growth is critical to the expansion of SMEs. Without adequate financing, the expansion of these businesses will be stunted and future job growth threatened. Governments need to recognize that not every business that wants financing should get it. Different types of businesses need different forms of financing as they grow from start-up through formative development, to expansion and long-term viability. There are also stable businesses that do not need necessarily to pursue growth but still require working capital to finance and maintain their operations. Given the complexity of the many and differing SME financial requirements, governments should not compete with private sector lenders, but limit their own initiatives to filling financing gaps not currently serviced by the private sector. In addition, governments could improve the financial health of SMEs and create less reliance on lenders by cutting profit-insensitive taxes (e.g. payroll taxes, licensing fees and property taxes); boosting equity financing through new tax incentives for private investors; encouraging financial institutions to participate in SME financing; reducing tax complexity and compliance costs; and refocusing government financial programmes.

Chile. CONUPIA: (1) Yes, with a precise definition being given of "particularly vulnerable groups". (2) Yes, with the appropriate regulations and the cooperation of the occupational associations. (3) Yes, with the appropriate regulations and through the occupational associations.

China. (1) No. There is no need for prescriptions; decisions should be made by individual countries in accordance with national conditions.

Czech Republic. (1) Yes. (2) Yes, in accordance with national customs and practice. (3) Yes, but the text should be formulated as an independent paragraph to read: "Support should be given to the establishment of mutual guarantee associations", followed by a detailed definition of their purposes and aims.

Cyprus. PEO: The instrument should provide measures for promoting improved access to finance and credit on commercial terms provided that these measures do not constitute constraints and entail high transaction costs and complicated procedures. Vulnerable groups of entrepreneurs may be exempted. Mutual guarantee associations can be encouraged to organize.

Denmark. No. This should not be included, since it is a matter for national regulation.

DA: Generally no.

LO: (1) Yes, with special conditions for SMEs in developing countries. (2) and (3) Yes.

AC: Yes.

Estonia: This question is especially important.

ESEA: Emphasis should be placed on (1) and (2).

Finland. Yes. Arrangements referred to in the question may be considered, but only on a general level.

France. Yes. SMEs should have access to public or private specialized institutions which can grant loans at preferential rates and can guarantee loans granted through the banking system. (1) and (2) Yes. (3) Taxation measures designed to strengthen the equity capital of these enterprises are also to be encouraged.

Germany. BDA: If this means offsetting disadvantages inherent in the size of SMEs, these measures are to be supported and included in the instrument. The instrument could aim, for instance, to promote the establishment of self-help institutions on the lines of the German guarantee banks.

Ghana. TUC: Yes. (1) Yes. Consistent with the principle of equal opportunity for all enterprises discussed in Question 9(1), SMEs should be provided with financial services on commercial terms. (2) Yes, in some cases supplementary measures may be needed. (3) Yes, and mutual guarantee associations may be of assistance.

Iraq. GFTU: Yes.

Israel. Histadrut: Yes. Similar reply to that of Ghana — GTUC.

Italy. CONFINDUSTRIA: Yes.

Japan. NIKKEIREN: Yes. (3) From the viewpoint of increasing the opportunities for finance and credit, the organization of mutual guarantee associations on the basis of the principle of self-responsibility may be encouraged.

Jordan: FJCC: Yes.

Amman Chamber of Industry: Yes. See reply to Question 16.

GFJTU: (1) Yes. (2) and (3) No.

Kuwait. Yes. SMEs have to promote their financial positions through financial programmes which facilitate access to capital at convenient interest prices, through flexible conditions for loans, and the rationalization and acceleration of procedures.

Kyrgyzstan. Yes. The instrument should facilitate access of SMEs to financial and credit resources. (1) Credit support should be based on acceptable conditions offered by banks. (2) Yes. It is necessary to establish streamlined rules of procedure for gaining access to credit, especially by small, socially vulnerable groups of the population, in order to develop SMEs and cut their registration costs. (3) Yes. SMEs should be encouraged to form mutual guarantee associations and establish business contacts.

Lebanon. The instrument should promote the access of SMEs to finance and credit, taking into account the difference in their size. The decision to take any of the steps indicated here should be decided according to national conditions and capacities and the situation of each enterprise.

Lithuania. LDS: Yes. Similar reply to that of Ghana — GTUC.

Mauritius. (2) Yes. Measures and support should also be provided for vulnerable groups of entrepreneurs, namely young entrepreneurs, women, retired persons and disabled/handicapped groups.

Mexico. Yes. The instrument should define more precisely the nature of the credit support on commercial terms, since in fact credit is available on such terms. The problem lies in the high rates of interest and amounts of guarantees, as well as in grace periods. (3) Yes, although the promotion of mutual guarantee associations would be useful in some cases, in others there would be a need for special financing and organization arrangements. Encouragement should be given to the establishment and strengthening of industrial and mixed credit unions for micro, small and medium-sized enterprises, to facilitate access to credit as well as for carrying out joint activities of benefit to the parties. Measures should also be introduced to help such enterprises capture private savings through the formation of investment and joint stock companies.

Netherlands. Yes. See reply to Question 15.

New Zealand. No. New Zealand does not agree that an instrument should promote access by SMEs to finance and credit. It should not be assumed that SME financing difficulties arise from a failure in the capital markets for SMEs. The inability of SMEs to access finance frequently indicates difficulties within firms themselves, often related to a lack of management skills. The challenge is for the private sector and capital markets to innovate, for SMEs to be more effective in the way they search for capital, and for providers of capital to develop new processes and products to meet business needs. Governments can endeavour, through policies and administration, to provide the most favourable climate for investment by ensuring that SMEs and the financial sector have sufficient incentives to compete and innovate.

Niger. USTN: Yes. Equal opportunities should be ensured for SMEs in market conditions.

SPEIN: Yes. (1) At favourable rates, since this involves investments.

Pakistan. PNFTU: Yes. Similar reply to that of Ghana — GTUC.

Panama. Yes.

UNPYME: Yes to all except (3): SMEs do not usually have the appropriate structure to be able to carry this out. In addition it may happen that the guarantees are based on friendship or personal relationships and not necessarily on the viability of projects. Such organizations should exist, but they should be overseen by other institutions.

Peru. (1) Yes. Special treatment in keeping with the current circumstances should be provided for particularly vulnerable groups of entrepreneurs, to guarantee a coherent and coordinated approach. (3) Yes.

CATP: Yes, as well as the creation of an "SME guarantee fund" with contributions from governments, NGOs, international institutions and SMEs themselves.

Poland. Solidarnosc: Yes. (1) Yes. Similar reply to that of Ghana — GTUC.

Portugal. Yes. In this connection, a financial institution especially catering for SMEs could be set up, as in other sectors.

CCP: Yes. However, given the specific nature of this aspect it should perhaps not be contained in the text of a Recommendation.

Qatar. (1) Yes. (2) No, because market rules are among the reasons for the weakness of these enterprises. It would be better to find ways to provide credit and financial services to these enterprises on easy terms. (3) Yes, provided that these measures serve the aim indicated in (2).

Senegal. CNTS: Yes, in accordance with the principle of equal opportunity for all enterprises.

Slovakia. (3) Yes.

South Africa. BSA: (1) Yes. Issues relating to maximum interest charges require consideration. (2) It should be recognized that there will be areas in the market which are not covered by the commercial banking sector. (3) Yes. This should not be discouraged.

Sri Lanka. CWC: Yes. Similar reply to that of Ghana — GTUC.

Suriname. (1) Yes, on commercial terms but vulnerable groups must be defined. (2) Yes, because these are the most common problems facing SMEs.

Sweden. LO: (1) and (2) No. This means distortion of competition and an inefficient utilization of resources. (3) Conceivably.

Switzerland. Yes, in principle.

USS: Yes. Similar reply to that of Ghana — GTUC.

UCAPS: Yes. The encouragement mentioned in (3) should not in any way be limiting for SMEs.

Association of Credit Institutions of Zurich (AICZ): If there is a problem of financing for SMEs, it is in fact rather a problem related to the difficulty of mobilizing the risk capital rather than a problem of bank credit. Problems related to regulations and to taxation constitute much greater obstacles to this financing. The AICZ also disagrees with the analysis on page 22 of the ILO report, third paragraph, on the role of banks, and with the statement on page 43 about "banks' avoidance of risk".

USAM: Yes, but some doubts about the methods to be applied to achieve these objectives.

Turkey. (2) Yes. Simplification of the procedures related to the supply of credit should be included in the instrument.

TISK: Yes. However, the expression "on commercial terms" in (1) needs careful consideration. In Turkey, the commercial terms of banks which provide credit services for the financial needs of SME's are not considered to be convenient.

TÜRK-IS: No.

United Kingdom. CBI: There is no overall shortage of finance for SMEs but often inappropriate forms of finance are used. Much can be achieved by establishing the mechanisms to help ensure that SMEs get the right package of finance, including both debit and equity finance. Financial management competence is a key issue. Some banks encourage this by granting a discount on charges where an approved level of qualification has been attained. The business links also have a role to play and the appointment of specialist financial management advisers is an important development.

United States. USCIB: Qualified yes. Credit is a problem facing some SMEs and should be extended as far as possible on commercial terms. However, it is not reasonable to expect that credit can be extended to anyone who wants it. Extending credit to marginally qualified businesses and individuals that are more likely to ultimately default simply raises credit costs for other borrowers. (2) Where possible, measures should be taken to simplify loan application procedures and lower transaction costs. (3) Mutual guarantee associations and credit cooperatives are useful mechanisms for providing credit to those who find it difficult to borrow from more conventional organizations.

Uruguay. Employers: Yes, but the word "improved" should be deleted from the question.

Venezuela. Employers: (1) Yes. (2) Yes. See Question 16(c). (3) Not necessarily. Any attempt to create monopolies or subject this service to restrictions should be prevented.

Zaire. CDT: Yes. Similar reply to that of Ghana — GTUC.

The proposal that the instrument should contain a provision to promote improved access by SMEs to finance and credit was supported by a large majority of replies, with most of the government replies agreeing to all three subparagraphs. The replies from employers' and workers' organizations also indicate strong general support for the proposal.

A few government replies pointed out that decisions on some or all of the subparagraphs lie in the province of national regulation, or are dependent on particular national conditions and capacities. The Office takes note of these comments, but since the proposed Recommendation is not subject to ratification but rather gives guidance to policy, legislation and practice it has been decided not to reflect these comments in the Proposed Conclusions at this stage. Further replies emphasized that improved access by SMEs to finance and credit should be consistent with the principle of equal opportunity for all enterprises irrespective of size. Since this concern has been the subject of *Point 8(1)(a)* of the Proposed Conclusions, the Office has decided not to deal with the matter here.

The provision proposed under Question 19 is included as *Point 16* of the Proposed Conclusions.

Qu. 20 *Should the instrument encourage linkages between large and small enterprises? If so, should measures be taken to safeguard and promote the legitimate interests of SMEs in subcontracting?*

Total number of replies: 58.

Affirmative: 54. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Brazil, Bulgaria, Burundi, Canada, Chad, Chile,* China, Cambodia, Central African Republic, Costa Rica, Cyprus, Czech Republic,* Denmark, Egypt, Finland, France, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, New Zealand,* Nicaragua, Norway, Philippines, Panama, Peru, Poland, Portugal, Qatar, Romania, Spain, Sudan, Suriname, Switzerland, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 5. Bangladesh, Chile,** Colombia, Czech Republic,** Estonia.

Other: 1. Belgium.

Australia. The establishment of linkages between SMEs and large enterprises may have positive effects on SMEs. This includes possible access to a reliable customer, diffusion of technology, improved product quality, skills and information transfer, etc. However, some detrimental consequences may arise for SMEs from such arrangements, for example, undue commercial dependence on a large firm, etc.

ACCI: Yes. An instrument on SMEs and employment should encourage the formation of linkages between small and large businesses. This should, however, be at an informal or information-sharing level, and should not seek to control in any way contractual relationships, such as those between a business and its contractors. Specifically, the instrument could encourage the promotion of the interests of SMEs in contracting only through encouraging the education of SME proprietors on their rights and duties in such relationships.

Bahamas. Yes. The instrument should encourage linkages between large and small enterprises. However, measures should be taken to ensure the SMEs are not eventually absorbed by the large enterprises.

Bangladesh. See reply to Question 16.

Belgium. Passive subcontracting is the original form of this type of collaboration. Nowadays, it is more a commercial or industrial type of partnership which underlies these agreements. The legal measures necessary to provide equilibrium for these relations come under contract law. As to the rest, it is legislation governing competition which ensures that the issuing of subcontracts does not constitute a disguised and abusive use of the powers of the subcontracting enterprise.

CNT: Yes. Measures should be taken to promote the legitimate interests of both SMEs and their workers in subcontracting (see comments on Report VI(1) on contract labour). The instrument should also contain a provision with respect to the transition of SMEs to major enterprises and identify measures to encourage the process.

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* Affirmative reply to the first sentence of the provision.

** Negative reply to the second sentence of the provision.

Chile. CONUPIA: Yes.

Colombia. CGTD: Linkages already exist and therefore to establish a new set of them in the instrument would simply be a reaffirmation. In previous documents, the CGTD has stated its disagreement that there should be ILO documents that pave the way for subcontracting, because this form of work is the number one enemy of workers' rights and heads the list as far as lack of job stability and the right to organize are concerned.

Costa Rica. Yes, but small enterprises should not be absorbed by large ones.

Cyprus. PEO: Yes, because such linkages offer opportunities for capacity building through the transfer of knowledge, technology and best practice. All these linkages promote access to new markets and new ideas. Generally, the nature of relations between firms, and of the firms themselves, assumes key importance. It goes without saying that measures should be taken to safeguard and promote the legitimate interests of SMEs in subcontracting.

Denmark. Yes, on a voluntary basis.

DA: No.

Estonia. No. The whole group of SMEs should be treated as one group of enterprises.

ECIE: Yes.

ESEA: Yes.

Finland. Yes. In promoting SMEs it is also important to support cooperation between SMEs and large enterprises. Cooperation, subcontracting and networking are modern modes of cooperation between enterprises of different sizes.

France. Yes. Linkages between large and small enterprises should be increased in order to allow better circulation of technical innovations, so as to ensure stable markets as regards the provision of services or subcontracting. However, such subcontracting should be organized or improved if regulatory provisions already exist, in order better to safeguard the interests of SMEs.

CFDT: Yes. Subcontracting contracts should provide the "best possible" social conditions, instead of the "least acceptable" ones. The instrument should encourage States to establish commercial and social regulations to guarantee the interests of SMEs and their workers.

Germany. BDA: The instrument should underline the importance of state measures to protect fair competition (e.g. a general ban on cartels, the supervision of mergers of enterprises with a dominant position on the market and the monitoring of anti-competitive behaviour by such companies).

Ghana. TUC: This proposal could in some national circumstances be appropriate, although its inclusion in any proposed instrument is ambitious and risks overloading the instrument with unnecessary complexity.

Iraq. GFTU: Yes.

Israel. Histadrut: Similar reply to that of Ghana — GTUC.

Italy. Yes. Measures should be adopted to safeguard the legitimate interests of SMEs in their exchanges with large enterprises.

Japan. JTUC-RENGO: Yes. However, there is a need to institute measures to promote stronger links and to guarantee and promote fair profits for subcontractors.

NIKKEIREN: Yes. Linkages between large and small enterprises should be encouraged. However, the meaning of the term "legitimate interests" of subcontracting companies is unclear. Measures should not be taken to impose a certain kind of duty on parent companies in order to safeguard subcontractors. It is desirable to encourage their mutual cooperation.

Jordan. Amman Chamber of Industry: Yes. See reply to Question 16.

GFJTU: No.

Kuwait. Yes. The instrument might encourage linkages between large and small enterprises on the understanding that measures are taken to protect the legitimate interests of SMEs in subcontracting.

Kyrgyzstan. Yes. The instrument should encourage stronger linkages between large and small enterprises as well as measures to safeguard the legitimate interests of SMEs in subcontracting (for example, through adequate prescriptive provisions).

Lebanon. Yes.

Lithuania. LDS: Similar reply to that of Ghana — GTUC.

Malaysia. MLO: Not necessarily.

Mexico. Yes. But rather than speaking of safeguarding measures, the instrument should promote the natural linkage of enterprises by emphasizing the advantages of forms of association based on the mutual nature and similarity of interests. It should also promote the integration of enterprises of different sizes, in cases in which SMEs engage in subcontracting in the different stages of the production cycle, with a view to benefiting from economies of scale. It should also promote the subcontracting of processes and products as a means of promoting the integration of production chains by activity and at the regional level. It should further promote the association of smaller-scale enterprises with larger ones as a means of preventing the duplication of investments resulting from excessive vertical integration; improve the use of capacity and specialization and enhance competitiveness; and promote participation in international markets through the supply of parts, components and inputs to export enterprises and the export processing industry, which would help integrate national producers into export industries as well as increase indirect exports.

Netherlands. Yes. See reply to Question 15.

New Zealand. Linkages between firms are generally a matter for negotiation between firms. However, governments can play three roles in the development of networks between firms: ensuring that firms are aware of the benefits of networking and how to identify potential partners and develop and maintain relationships; removing unnecessary legislative barriers to greater cooperation among firms and ensuring that legislation is clearly understood by the business community in case it is perceived as discouraging network formation; and, acting in concert with business to facilitate the identification and formulation of potential network opportunities.

Niger. USTN: Yes, according to the national circumstances in each country.

SPEIN: Yes.

Pakistan. PNFTU: No. The instrument should not encourage linkages between large and small enterprises.

Panama. Yes. This should be combined with the adoption of measures to protect and promote the interests of SMEs in subcontracting.

Peru. Yes. Linkages between enterprises are essential for access to new markets, new technology and new ideas, and are the key to competitive success.

Poland. Solidarnosc: Similar reply to that of Ghana — GTUC.

Portugal. CCP: Regarding Questions 20, 21, and 22, these aspects should not be included, since subcontracting is dealt with by the ILO as a separate subject.

Qatar. Yes. In addition, national legislations should regulate subcontracting so as to promote the interests of all parties concerned.

Senegal. CNTS: This could involve a risk of making the Recommendation unnecessarily complicated even if it may be appropriate for circumstances in some countries.

South Africa. BSA: Yes. Linkages between big and small businesses should be encouraged, but safeguards should be left to the market-place and the commercial/legal framework.

Sri Lanka. CWC: Similar reply to that of Ghana — GTUC.

Suriname. Yes.

Sweden. Yes.

Switzerland. Yes, in principle, without specifying any measures.

USS: Similar reply to that of Ghana — GTUC.

UCAPS: No. This is not necessary as this situation is determined by the market and cannot be decreed.

USAM: It is not clear how an instrument of this type would be able to improve linkages associated with the working of the market.

Turkey. Yes. Linkages between large and small enterprises should be established, either by support or by means of subcontracting.

TÜRK-IS: No.

United Kingdom. CBI: Full support for the need to strengthen the effectiveness of links between businesses of all sizes. Through its Partnership Sourcing Initiative the CBI already promotes long-term trading relationships based on cooperation and trust. Because the partners have common goals and mutual interest, they tend to work together to improve quality, design and delivery to boost competitiveness. The promotion of such benefits is best achieved through the spread of best practice. There is therefore no need for an instrument in this area.

United States. USCIB: No, since these linkages will occur as a matter of course.

Workers: In recent times, the issue of contracting out has been contentious in the United States. Some firms have tried to cut costs by contracting with smaller firms which provide fewer benefits and lower wages to workers. So, while it might seem beneficial to SMEs that bigger firms are favouring them with contracts, the societal result may be a lowering of the overall welfare of workers, the quality of jobs and level of incomes. In the United States many workers have joined the so-called contingent workforce, employed in less secure, lower paid, not permanent positions.

Venezuela. Yes, seeking a balance in power between large and small enterprises, without laying down specific regulations, but setting up bodies to settle conflicts of interest.

Zaire. CDT: Similar reply to that of Ghana — GTUC.

Almost all the replies from governments were positive towards the provision envisaged under the question. Many comments from workers' and employers' organizations provided further support, although some warned about making the instrument too complex. A small number of comments were negative to the proposal, some indicating that they felt the development of interfirm linkages should be left to the market. In view of the otherwise overall strong support expressed for the envisaged provision, the Office has decided to retain it unamended as subparagraph (3) of *Point 17* of the Proposed Conclusions.

Qu. 21 *Should the instrument promote linkages between SMEs themselves to encourage mutual learning as well as resource and risk sharing? If so, should there be specific encouragement of service cooperatives and similar structures?*

Total number of replies: 60.

Affirmative: 57. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Brazil, Bulgaria, Burundi, Canada, Chile, China, Chad, Cambodia, Central African Republic, Colombia,* Costa Rica, Cyprus, Czech Republic,* Denmark, Egypt, Estonia, Finland, France, Italy, Japan, Jordan, Kenya, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Myanmar, Netherlands, Nicaragua, Norway, Philippines, Panama,* Peru, Poland, Portugal, Qatar, Romania, Slovakia, Spain, Sudan, Suriname, Switzerland, Thailand, Turkey, United States, Uruguay, Venezuela, Yemen.

Negative: 5. Bangladesh, Colombia,** Czech Republic,** Hungary, Kuwait.

Other: 0.

Argentina. Yes. The instrument should encourage the creation of data banks and information networks and mutual collaboration, as well as specific SME organizations.

Australia. SMEs that establish networks (that is, formal linkages) with other SMEs derive a number of competitive advantages (for example, economies of scale and access to specialized skills). Business networks can be a powerful tool for business development and expansion and can provide businesses with the capacity to achieve results far beyond the scope of individual businesses.

[*] Affirmative reply to the first sentence of the provision.

[**] Negative reply to the second sentence of the provision.

ACCI: Yes. The instrument should promote linkages between SMEs, but should recognize that in many member States such linkages already exist in established associations of employers. Encouragement should be limited to information sharing and mutual learning and trading interactions (such as trade shows). Resource and risk sharing should not be encouraged between SMEs. Whilst superficially attractive, such activities are likely to lead to larger-scale collapses in SMEs and a shared experience of poor business practice. Such schemes could also be very difficult for governments to supervise. Employment in SMEs is far more likely to be promoted through the encouragement of education programmes to improve the skills of proprietors, and by freeing SMEs from unnecessary administrative complexity and providing a business operating climate conducive to SME growth. Active intervention programmes would be unnecessary if such conditions were created, and the instrument should recognize this.

Bahamas. Yes. These are considered the most effective means of establishing business with a strong community base.

Bangladesh. See reply to Question 16.

Belgium. Practical and legislative measures to encourage and oversee cooperation between SMEs are welcome. In some sectors, e.g. the retail business, horizontal agreements between SMEs allow them to obtain supplies and to stock and distribute them on the same terms as integrated supermarkets. The development of networks and the legal recognition of more elaborate forms of partnership (voluntary retail buying chains, bulk buying organizations, franchising, economic interest groupings, etc.) benefit SMEs.

Canada. Yes. The geographic distance of enterprises needs to be taken into account in promoting linkages.

Chile. Yes. The instrument could encourage the joining of forces while endeavouring to be sufficiently flexible to make allowances for local conditions.

CONUPIA: Yes, with the appropriate regulations and through the occupational associations.

Colombia. CGTD: Yes. Although bodies such as cooperatives, micro-enterprises, associations of small industrialists, etc. already exist in Colombia, it would still be a good idea to fix clear standards on this matter in the proposed instrument.

Costa Rica. Yes, also with the objective of establishing networks to provide information and support among the various enterprises.

Czech Republic. Support for linkages between SMEs (but with the choice perhaps being left to enterprises), but against special support for cooperatives offering these services.

Cyprus. PEO: Yes. Special measures should be encouraged to bring small enterprises together and establish savings and credit cooperatives, including cooperation in sharing information and experience, and generally to act collectively.

Denmark. Yes, on a voluntary basis.

Finland. Yes.

France. Yes. Linkages between SMEs should also be encouraged through various forms of association at the national and regional levels. On the technical level the pooling of services that are too costly or complex to be set up by a single enterprise should be facilitated.

Germany. BDA: Within the general policy framework, the instrument should establish that self-aid institutions are worthy of promotion.

Ghana. TUC: This proposal may be beyond the scope of the instrument.

Hungary. No. This should be left to the market.

Iraq. GFTU: Yes.

Israel. Histadrut: This proposal may be beyond the scope of the instrument.

Italy. Service cooperatives and similar structures should be encouraged so as to guarantee mutual learning and risk evaluation among SMEs.

CONFINDUSTRIA: Yes, especially encouragement of enterprise associations or consortia rather than service cooperatives.

Japan. Yes. However, it is not necessary to encourage service cooperatives, as opposed to non-service cooperatives.

JTUC-RENGO: Yes. However, the proposal regarding service cooperatives and similar organizations is unclear.

NIKKEIREN: Yes. It is useful to promote linkages between SMEs themselves. However, their structure should reflect each member State's particular conditions, so there is no need of specific encouragement for service cooperatives and similar structures.

Jordan. FJCC: Yes to mutual learning, no to resource and risk-sharing.

Kuwait. No. There is no need for this point.

Kyrgystan. The instrument should provide for linkages between SMEs themselves for the purpose of exchanging ideas and experience and distributing resources, raw materials and components among them, but only if close cooperation can lead to higher productivity, better quality and higher quantity of exported goods without the SMEs losing their independence.

Lebanon. The promotion of linkages between SMEs themselves is important, but the form and nature of these linkages should be determined by the enterprises themselves.

Lithuania. LDS: This proposal may be beyond the scope of the instrument.

Malaysia. MLO: Not necessarily.

Mexico. Yes. SMEs could set up associations by branch or region, as a means of collectively overcoming problems, sharing resources and exchanging information. The establishment of a suitable legal framework would give greater opportunities to SMEs, allowing groups of professional and technical workers to organize and generate their own employment.

Netherlands. Yes. See reply to Question 15.

Nicaragua. Yes, because cooperatives also generate employment and promote a country's economic development and have much in common with SMEs.

Niger. USTN: Yes, if possible.

SPEIN: Yes.

Pakistan. PNFTU: No. The instrument should not promote linkages between SMEs themselves to encourage mutual learning and resource and risk sharing.

Panama. UNPYME: Yes to linkages, but not necessarily specific encouragement of cooperatives.

Peru. Yes. Small enterprises should be encouraged to collaborate as one of the most important ways of improving competitiveness and productivity and compensating for the scarcity of individual resources. There should thus be specific encouragement of service cooperatives and other similar structures.

CATP: Yes to linkages, no to encouragement of service cooperatives if this is solely to place personnel in the service of third parties.

Philippines. Yes, to provide additional income to employees as well as support services to the SMEs.

Poland. Solidarnosc: This proposal may be beyond the scope of the instrument.

Portugal. CCP: No. See reply to Question 20.

Qatar. Yes. The instrument should encourage the development of cooperation linkages between SMEs having the same activity and in the areas serving their common interests.

Senegal. CNTS: This suggestion involves the risk of going beyond the scope of the Recommendation.

South Africa. BSA: Yes. It should be recognized that there are a variety of ways in which to promote linkages between SMEs, not merely through cooperatives and similar structures.

Sri Lanka. CWC: This proposal may be beyond the scope of the instrument.

Suriname. There should be specific encouragement of service cooperatives and similar structures.

Sweden. LO: Yes to linkages, encouragement possibly.

Switzerland. Yes. For SMEs that have already been operating for some time, the instrument should promote the creation of networks for the exchange of information and services. In this way SMEs could mutually benefit from the results of their activities, knowledge, etc.

USS: The proposal may be beyond the scope of the instrument.

UCAPS: Such encouragement should be envisaged but should not be limiting. Cooperatives should not receive any special form of encouragement (cf. Question 3(c)).

USAM: Encouragement of this kind should be possible, on the one hand, if it is not restricting in nature and, on the other, if there is no risk of it coming up against anti-cartel legislation. If necessary, it is the legislation which should be adapted.

Turkey. Yes. The establishment of relations between SMEs should be encouraged with the view to a sharing of their experiences. SMEs should be specifically encouraged to establish service cooperatives and similar structures for this purpose.

United Kingdom. CBI: See reply to Question 20.

United States. USCIB: No. These types of relationships should evolve naturally.

Venezuela. Yes. There should also be encouragement of micro-enterprises.

Employers: This would be achieved through employers' organizations, which would include SMEs. It should not be limited to service cooperatives and similar structures, since there may be other institutions which could achieve this purpose.

Zaire. CDT: The proposal may be beyond the scope of the instrument.

The replies indicate overwhelming support for the proposed provision. However, a few comments indicate that the proposed provision might go beyond the scope of the instrument, while a small number of replies state that encouragement of such linkages should be left to the free market.

With regard to the supplementary question concerning service cooperatives, some divergence of opinion emerges from the replies. Some replies indicate clear support for a reference to service cooperatives, while others prefer no such mention. Some of the replies suggest that mention should be made of additional types of linkage forms, such as enterprise consortia and enterprise networks. Furthermore, others point to the significant role which associations of employers can play in facilitating such linkages. The Office has taken note of both of the two latter comments and has decided to add the sentence: "In this connection, SME consortia, enterprise networks and service cooperatives and similar structures could be encouraged and the importance of the role of employers' organizations should be recognized."

The provision contained in Question 21, as amended, has been included in the Proposed Conclusions as subparagraph (4) of *Point 17*.

Qu. 22 *Should the instrument provide that special measures should be taken to address the needs of the following categories of entrepreneurs:*

(a) aspiring entrepreneurs affected by structural adjustment?

(b) women?

(c) demilitarized personnel?

(d) disabled persons?

(e) other categories? (Please specify.)

Total number of replies: 58.

Affirmative: 49. Argentina, Bahamas, Barbados ((a), (b), (d)), Belarus, Belgium ((e)), Brazil, Bulgaria, Burundi ((a) to (c)), Chad, Cambodia, Canada, Central African Republic, Colombia ((a), (b), (d)), Costa Rica ((a), (b), (d)), Cyprus, Czech Republic, Dominica ((a), (b), (d)), Egypt, Hungary, Italy ((a), (b), (d)), Japan, Jordan ((b) and (d)), Kenya, Kuwait, Kyrgyzstan ((a), (b), (d)), Lebanon, Malaysia, Malta ((b) and (d)), Mauritius ((a)), Mexico ((a), (b), (d)), Netherlands, New Zealand, Nicaragua ((e)), Norway ((a) and (b)), Panama, Peru, Philippines, Portugal, Qatar, Romania, Spain ((a), (b), (d)), Sudan, Suriname ((a), (b), (c)), Thailand, Turkey ((a) and (b)), United States, Uruguay ((a), (b), (d)), Venezuela, Yemen ((b) and (d)).

Negative. 14. Australia, Bangladesh, Chile, China, Denmark, Estonia, Finland, Kyrgyzstan ((c)), Malta ((a) and (c)), Mexico ((c)), Norway ((c) and (d)), Poland, Uruguay ((c)), Yemen ((a) and (c)).

Other: 1. France.

Argentina. Yes. The instrument should promote the training of entrepreneurs and the creation of machinery to support developing SMEs. The training and monitoring of the categories referred to are particularly important.

Australia. All SMEs should have equal access to a range of assistance measures.

ACCI: The only special measures which should be taken for the categories of entrepreneurs listed are educational and promotional initiatives.

Austria. DUP: Yes.

Bangladesh. See reply to Question 16.

Belarus. (e) Parents of a large family.

Belgium. (e) Displaced persons and ethnic minorities; bankrupt entrepreneurs; entrepreneurs drawing pensions; people who have inherited family enterprises.

CNT: In Belgium measures have been adopted at both the federal and the regional levels, sometimes focusing on certain categories of entrepreneurs (e.g. loans to unemployed persons to help them become self-employed).

Brazil. (e) The instrument should also include new entrants into the labour market who have an aptitude for entrepreneurial activity.

Bulgaria. Yes. Priority should be given to (a) and (c).

Burundi. (e) Young craftsmen or graduates of technical schools.

Canada. Yes, if equal access is insufficient and special measures are needed. The particular categories should remain flexible to take into account national/local circumstances. (e) Youth and recent graduates, visible minorities and aboriginals, where applicable. The instrument should also refer to the needs of entrepreneurs in national, provincial and/or regionally designated strategic growth sectors.

CEC: No. Special measures are already in place in most developed countries for the fair employment and promotion of various categories of employees deemed to require special programmes. Employment equity programmes, equal pay programmes and the redress of legitimate discrimination through human rights investigations and tribunals are policies and programmes that are well established and effectively administered in most developed nations. These legislative programmes are normally assigned to cover all employers and all employees in all workplaces, and there is no special requirement for rules specific to the SME sector. Where member States' programmes are not so well developed, the ILO should encourage their promotion.

Colombia. (a), (b), (d) Yes. (e) Young people, senior citizens.

ACOPI: Yes. (e) Those who have made unsuccessful entrepreneurial attempts.

CGTD: Yes. (e) Trade unionists who have been dismissed from their enterprises as a result of their union duties.

Chile. CONUPIA: Yes. (e) Special measures should also be adopted for the different sectors of activity and priority areas in accordance with regional circumstances.

China. No. There is no need for prescriptions.

Costa Rica. (e) Small and micro-entrepreneurs.

Cyprus. Yes, depending on the social and economic conditions that prevail in each member State and the priorities that exist.

Czech Republic. Yes. Especially (a) and (d). (e) Other categories should be left for decision to individual States according to needs and the labour market situation, which would give more flexibility, especially as regards the informal sector.

Denmark. No. Against singling out specific groups, but support for studies and analyses showing why certain groups are less likely to start new enterprises. What are the barriers that these groups are facing?

LO: Yes. (e) Innovative entrepreneurs.

DA: No.

AC: No.

Egypt. (e) Young graduates of middle and higher educational institutes.

Finland. It is not necessary to address in detail the matters presented in this question.

France. The possible adoption of special measures for specific categories depends on national circumstances. Particular attention should, however, be paid to unemployed persons setting up enterprises who can benefit from specific state assistance.

CFDT: (a), (c), (d) Yes. (e) Young people.

Germany. BDA: The instrument should provide for the promotion of enterprise developers, irrespective of personal identity or gender.

DGB: (e) Reference should be made to new target groups such as persons affected by labour market policies or unemployment who have set up their own enterprises.

Ghana. TUC: Yes. Special measures may frequently be helpful to assist particular groups of the population as indicated in (a) to (d), including entrepreneurs. (e) In some countries, it may further be appropriate to consider special measures to assist trade unions to set up commercial organizations, where the trade unions concerned have shown an interest and ability in so doing.

Hungary. (e) Ethnic minorities; the young; entrepreneurs in underdeveloped regions.

Iraq. GFTU: (a), (b), (d) Yes.

Israel. Histadrut: Similar reply to that of Ghana — GTUC.

Italy. CONFINDUSTRIA: Yes.

Japan. NIKKEIREN: (a) Yes. It is appropriate to adopt special measures, where necessary, taking great care not to dampen the aspirations of entrepreneurs through overprotection. (b) Yes. Basically there is no need to segregate entrepreneurs by gender, but special measures may be studied depending on each member State's particular conditions. (c) Yes, appropriate measures in the light of each member State's particular conditions. (d) Yes. (e) Intensive study of the measures needed to assist aspiring and promising entrepreneurs in connection with finance and credit on the basis of the self-responsibility principle, regardless of whether they are affected by structural adjustment.

Jordan. FJCC: (a) to (c) Yes.

Amman Chamber of Industry: Yes. See reply to Question 16.

GFJTU: Yes.

Kenya. Yes. (e) Ex-prisoners (who have acquired certain skills), young persons and retirees.

Kuwait. Yes. The instrument might take these categories into consideration; other details should be left to the discretion of each State in line with its national legislation.

Kyrgyzstan. (e) Aid for the indigenous population of countries that have suffered from military conflicts; measures to promote the employment of young people.

Lebanon. Yes, but before taking such measures, studies should be undertaken concerning the needs and skills of these categories. The measures should not have unfair effects on other categories. (e) Groups affected by long wars; members of families that have lost their breadwinners.

Lithuania. LDS: Similar reply to that of Ghana — GTUC.

Malta. (e) Other categories calling for special needs should be determined by the governments of ratifying States in consultation with the social partners.

Mauritius. (a) The special measures should not be limited to only aspiring entrepreneurs affected by structural adjustment, but should apply to all aspiring entrepreneurs, who normally need such measures for start-up.

Mexico. (e) Young persons who have not been absorbed by the labour market and who want to organize their own enterprises; young persons without work experience; and ethnic groups who produce goods of commercial quality.

Netherlands. Yes. See reply to Question 15.

New Zealand. There is a case for providing special measures to address the needs of certain groups of entrepreneurs, though each member State should determine which groups it will focus on. (e) Indigenous people (in New Zealand, the Business Development Programme has women, Maori and Pacific Islands peoples as key target groups).

Nicaragua. (e) Young people who for one reason or another do not have access to higher and technical education or vocational training and consequently resent a society in which they feel frustrated.

Niger. USTN: Yes. (e) Trade unions should also be helped to set up commercial structures if they so wish.

SPEIN: (a), (b), (d) Yes.

Norway. (c) and (d) Not realistic.

Pakistan. PNFTU: Similar reply to that of Ghana — GTUC.

Panama. UNPYME: (c) In Panama no, although in other countries yes.

Peru. (e) Unemployed people over the age of 45 years; young people between the ages of 18 and 25.

CATP: Yes. (e) Persons whose employment has been terminated due to their advancing age who are able to work on their own account; young people who wish to take up an entrepreneurial activity.

Poland. Solidarnosc: Similar reply to that of Ghana — GTUC.

All Poland Trade Union Alliance: (d) Yes.

Portugal. (e) Young graduates with two years' training and specialized in the spheres mentioned in Question 16.

CCP: No. See reply to Question 20.

Qatar. Yes. (e) Graduates of training institutes and vocational schools.

Senegal. CNTS: Similar reply to that of Ghana — GTUC.

South Africa. BSA: This will vary from country to country. Countries should be free to decide where their own priorities lie.

Spain. (e) Young people, the long-term unemployed and others as appropriate.

Sri Lanka. CWC: Similar reply to that of Ghana — GTUC.

Sudan. (e) Returning migrants, university and institute graduates, students completing their secondary schooling, and people from government and private enterprises who have been made redundant as a result of privatization or for economic or technical reasons.

Suriname. (e) Pensioners and ex-government workers.

Sweden. LO: Yes.

Switzerland. USS: Similar reply to that of Ghana — GTUC.

UCAPS: No, too much detail.

USAM: No, too much detail.

Turkey. TISK: Yes. Special measures may be taken to address the needs of the said categories of entrepreneurs which should also include those who are at the early stages of entrepreneurship.

TÜRK-IS: No.

United Kingdom. CBI: No. The important point is that such groups of entrepreneurs should have equal access to existing sources of finance and business support mechanisms.

United States. USCIB: A qualified yes. Measures should be taken to ensure that none of these categories suffers discrimination with respect to credit access, market access, etc. However, "special measures" for these groups would be tantamount to discrimination against other groups, and should not be encouraged.

Uruguay. (e) Young people, and persons over the age of 50 years.

Employers: (a) and (d) Yes. (b) and (c) No.

Venezuela. (e) Young persons wishing to become self-employed.

CGT: (e) Young professionals.

Employers: (a) Yes. (b) and (c) No, this is not necessary in Venezuela. (e) No, but obstacles should be removed for those in the informal sector and for legal immigrants.

Zaire. CDT: Similar reply to that of Ghana — GTUC.

Replies indicate a very definite majority for the proposed provision under Question 22, that special measures be taken for selected categories of entrepreneurs, although a few comments stated that the proposed text might be too detailed for the instrument. More specifically, strong support was expressed for subparagraphs (a), (b) and (d), while (c) received less strong, but nevertheless substantial support. A number of replies indicated that the choice of such categories would in practice be determined by national circumstances and socio-economic priorities.

In regard to subparagraph (e), a number of specific suggestions were made for additional categories of entrepreneurs which could be mentioned, including: young people with entrepreneurial aptitude including graduates, elderly workers with appropriate experience, ethnic minorities and indigenous people, the long-term unemployed, and trade unions with an interest in setting up commercial ventures.

The Office considers these proposals appropriate and has decided to retain the proposed provision, with minor amendments to include the most frequently suggested additional categories, and by making reference to the need to consider national priorities and circumstances.

The provision contained in Question 22, as amended, has been included as subparagraph (5) of *Point 17* of the Proposed Conclusions.

VII. Roles of the government and employers' and workers' organizations

Qu. 23 *Should the instrument encourage governments, while standing back from direct involvement in policy implementation, to focus their efforts mainly on:*

(a) establishment of broad policy and legal frameworks?

(b) development of national and regional strategies?

(c) coordination of policies and programmes to support SMEs?

(d) provision of broad-based infrastructure in such areas as energy, telecommunications and transport?

(e) other areas? (Please specify.)

Total number of replies: 61.

Affirmative: 46. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Brazil, Bulgaria, Burundi, Canada, Chad, Chile, China, Cambodia, Colombia, Costa Rica ((a) to (c)), Cyprus, Czech Republic, Denmark, Dominica ((a) and (b)), Egypt, Finland ((b) to (d)), Germany, Hungary, Italy, Jordan, Kenya, Kuwait, Kyrgyzstan, Malaysia, Malta, Mauritius, Niger ((a) and (c)), Norway, Philippines, Panama, Peru, Poland ((a) and (c)), Portugal, Qatar, Romania ((a) and (b)), Sudan ((c)), Suriname, Turkey, Venezuela, Yemen ((c) and (d)).

Negative: 7. Bangladesh, Dominica ((c)), Netherlands, Poland ((b) and (d)), Sudan ((a), (b), (d)), Uruguay, Yemen ((a) and (b)).

Other: 12. Belarus, Belgium, Central African Republic, France, Japan, Lebanon, Mexico, New Zealand, Nicaragua, Spain, Switzerland, United States.

Australia. Yes. The Australian Government is maintaining an integrated framework of policies to foster industry development during the second half of the 1990s which recognizes that business success and economic growth are fundamental to reducing unemployment. This framework includes a responsible balance of macroeconomic and micro-economic policies combined with proactive industry development measures. The objectives are to encourage firms to become internationally competitive by introducing greater competition while improving the climate under which business operates.

ACCI: Yes. The suggestion that governments should stand back from direct involvement in policy implementation is to be welcomed. (a) Yes. Governments should be encouraged to establish such frameworks that will encourage the growth and development of SMEs to facilitate employment. (b) One element would be the development of national and regional strategies, but the instrument should recognize that in many countries strong subnational/regional governments will be crucial to the success of initiatives. The instrument should encourage national governments to work with their regional counterparts cooperatively to facilitate the success of SME initiatives. (c) Yes. Governments will have a crucial role in the coordination of policies and programmes to support SMEs and should focus their efforts on doing so, in conjunction with interest groups, especially the social partners. (d) Yes. However, in view of the growing trend in many countries away from monopoly public ownership of such resources towards competitive "privatization" models, the instrument should not encourage governments to provide infrastructure, but should encourage those governments that do not provide infrastructure directly to ensure that SMEs are not discriminated against in the provision of such services.

Austria. GMBE: The role of governments should be primarily to establish infrastructural and legislative regulatory frameworks in which SMEs can develop. This should occur through specific means, in particular in the areas of power, telecommunications and transport. (e) Environment and environmental technology.

Bangladesh. No. In regard to Questions 23 to 29, the existing legal framework and policy measures equally cover all types of enterprises without any discrimination. The establishment and development of a separate legal framework, the setting of national and regional strategies, the framing of policies and programmes, and the establishment of commercial linkages between SMEs, etc. would militate against, and come into conflict with, the existing practices and development process.

Belarus. Governments cannot focus their efforts while standing back from direct involvement in policy implementation.

Belgium. Excluding the authorities from the shaping of policies is not acceptable. (a) Over and above the policy and legal frameworks, administrative, economic and social frameworks could also be put in place to benefit SMEs and other entrepreneurs. (e) Environmental management; vocational training; craft and commercial credit for SMEs and the other tools required for economic expansion; advice and management assistance; an integrated policy to simplify administrative procedures.

CNT: (e) The application of minimum labour law standards, and environmental considerations.

Brazil. Yes. However, in certain circumstances it is difficult to establish clear limits between the functions of government and those to be carried out by the other social actors.

CNT: (e) Promotion of consensus in the event of possible disagreements between the social partners in the application of support policies for SMEs.

Bulgaria. Yes, especially (c).

Canada. (e) Provision of broad-based infrastructure in education.

CEC: No. In developed countries, various boards, agencies, commissions and other instruments designed to promote regional and national economic activity already exist to provide various grants, subsidies and infrastructures. This government activity adds to the general debt burden, which further affects SMEs through growth of a tax structure that reduces consumer purchasing power and employer profitability. There is little adequate evaluation of the results of all this government support and funding.

Central African Republic. In the interests of freedom of trade and industry, governments should be encouraged not to become directly involved in policy implementation. However, they must be able to encourage SMEs to follow their broad policy guidelines by setting the general framework within which the SMEs operate.

Chad. CST: Yes, but the instrument must emphasize the non-direct involvement of government in policy implementation.

Chile. CONUPIA: Yes. Encouragement should be given to strengthening SME-related occupational associations, inasmuch as they are natural partners in the implementation of promotion policies. (e) Technology and the environment.

Colombia. CGTD: (a) Yes. All governments are obliged to set standards to provide the industrial sector with a legal framework appropriate for its development. (b) Yes. It is also the State's duty to draw up strategies that allow SMEs to achieve greater development and thus to become profitable enterprises with higher production levels. (c) Yes. On the understanding that it is the aspiration of all SMEs to progress beyond their current status, the government has the duty to offer them support policies and programmes, making it easier for them to broaden their infrastructure.

Denmark. Yes. The primary objective should be to create the best possible framework conditions; cf. general observations.

Egypt. (e) Measures to provide funding and credit resources in order to support the creation of SMEs, particularly for the categories cited. It is preferable to provide credit through special funds for this purpose.

EFTU: (e) Help in the implementation of vocational training programmes to provide trained labour for such enterprises.

Estonia. ESEA: Yes.

ECIE: Yes.

EATU: Yes.

Finland. Yes, especially (b), (c) and (d).

France. Governments are responsible for creating an administrative and financial framework (a) which allows SMEs to be set up and evolve. This mainly implies simplifying the obligations facing these enterprises, improving their financing, providing an appropriate legal and fiscal framework for their transfer, and helping them to win new markets. To achieve this, support programmes geared to SMEs should be developed as well as more general measures coming under national and regional development policy.

CFDT: Yes. (e) An active role for governments in the promotion of labour standards, including social protection, trade union rights, labour inspection, adequate terms and conditions of employment, good occupational safety and health.

Germany. In principle, yes. It is not clear what is meant by "standing back from direct involvement in policy implementation". Governments are responsible for the areas mentioned.

BDA: The instrument should provide that governments are responsible for the establishment of a policy framework. In addition, it should specify that market forces should evolve freely under the best possible conditions and that governments should intervene as little as possible in such processes. Governments should be responsible for maintaining the stability of the legal framework and should refrain from constant interference in the legal order.

DGB: (e) Innovation, skills training and strengthening of the regional enabling environment.

Ghana.TUC: Yes. Governments should discharge their obligations in the areas cited.

Hungary. (e) Regular data collection, and publication of information.

Iraq. GFTU: Yes.

Israel. Histadrut: Yes. The starting point for government action needs to be an active role in the promotion of labour standards including social protection, trade union rights, labour inspection, adequate terms and conditions of employment, good occupational health and safety, all areas which are not specifically addressed in this question. Further to the adequate discharge of their obligations in the above areas, governments should undertake the other actions indicated in this question.

Italy. CONFINDUSTRIA: Yes.

Japan. Reserves its reply to this question. As there are cases where direct involvement is appropriate, it should not be concluded that any direct involvement must be avoided unconditionally.

JTUC-RENGO: (a) No. There is a need for direct involvement in policy implementation.

NIKKEIREN: Yes. However, how and to what extent the governments become involved should be cautiously studied. Concerning (d) in particular, full attention should be given to avoid stifling the private sector's dynamics by the provision of facilities.

Kenya. Yes. (e) Strengthening of associations.

Kuwait. Yes. The instrument might encourage governments to focus their efforts mainly on the fields mentioned in (a) to (d), while standing back from direct involvement in policy implementation and confining themselves to control and supervision only.

Kyrgyzstan. Yes. The instrument should encourage government to concentrate their efforts on formulating the major policy areas concerning the promotion of SMEs and the adoption of adequate regulative and legal provisions in their support. This should be achieved through the development, in case of need, of appropriate standards concerning the establishment of SMEs, taking into account the size of the SME, the degree of business risk and the possibilities for cooperation between enterprises. (b) Yes. (c) Creating conditions conducive to growth with an emphasis on a more vigorous process of establishment, survival and quantitative development of SMEs. (d) Yes. (e) Key sectors and branches for the future.

Lebanon. Yes, but this depends on the available capacities to implement these policies in rapidly fluctuating economic conditions. How can governments not directly intervene in the implementation of policies when they are responsible for matters such as (a), (b) and (d)? (e) The development of cooperatives amongst enterprises with similar activities should be encouraged.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Mauritius. Yes. Considering the vital role played by SMEs, particularly in job creation and income generation, governments should give priority consideration to the SME sector by creating an enabling environment conducive to the development and modernization of this sector. While governments should focus their efforts on the aspects mentioned, it is also of the utmost importance that a national apex organization be established for fostering the SME sector, providing support and back-up services to those businesses which are badly in need of daily advice and guidance. This organization could also support the growth and competitiveness of SMEs and promote observance of international labour standards, etc.

Mexico. The government of each country should try to establish favourable conditions for economic development by supporting enterprises and regulating them in accordance with the local situation. The extent of participation of each government in the application of its policies should be determined by national legislation.

Netherlands. No. The way in which national governments interpret their policy for the promotion of quantitative and qualitative employment development in small-scale organizations depends to a large extent on specific circumstances such as the historical background of the institutional infrastructure, etc. In this context, the Recommendation should not contain any specific stipulations as defined in Questions 23, 24 and 25.

New Zealand. The extent and direction of government involvement in SME policy should be a matter for each individual member State to decide.

Nicaragua. Governments should be directly involved.

Niger. SPEIN: Yes.

USTN: Yes. Efforts should focus on adequate terms and conditions of employment and labour inspection. Priority should be given to promoting labour standards, social protection, trade union rights, health and social security.

Pakistan. PNFTU: Similar reply to that of Israel — Histadrut.

Panama. UNPYME: (d) Infrastructure in the areas of communications and transport services is extremely important, as are the facilities in and the efficiency of ports.

Peru. Yes. All governments are responsible for providing a policy and legal framework to benefit small enterprises, because governments are responsible for promoting consumption, encouraging private bodies to take on more responsibility and preventing possible conflicts between specific interest groups.

CATP: Yes. Unless it is absolutely imperative, governments should refrain from participating directly in policy application. (e) Tax incentives, awards for successful SMEs and SMEs which take on new personnel during the tax year.

Poland. SOLIDARNOSC: Similar reply to that of Israel — Histadrut.

All Poland Trade Union Alliance: (d) Yes.

Portugal. (e) Information technologies, marketing and product flow.

Senegal. CNTS: Yes, but preference being given to the promotion of labour standards including, among others: social protection; trade union rights; labour inspection; adequate terms and conditions of employment; occupational safety and health.

South Africa. BSA: Not only governments may be involved in the provision of infrastructure.

Spain. The reference to governments standing back from direct involvement should perhaps be deleted as it may seem contradictory that they should participate and at the same time not be directly involved.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Sudan. The instrument should encourage governments to concentrate their efforts on (c). The other items concern the general policy of the State and should not be integrated into the text of the instrument.

Sweden. LO: Yes. See reply to Question 5(a).

Switzerland. The role of governments should be restricted to ensuring stable and healthy conditions that permit SMEs to develop without too much uncertainty with regard to their environment (thus, administrative obstacles can be lessened or removed; transport should be adequate).

USS: Similar reply to that of Israel — Histadrut.

UCAPS: (a) Yes. This should be the general theme of the text. (b) Only if it is accepted that job creation is principally a matter for enterprises and is not something that is decided upon from above. (c) Yes. (d) Yes, adding that the private sector can play a considerable role in this area, for example through telecommunications.

USAM: Yes, although (b) has an unpleasant interventionist connotation and should therefore be withdrawn.

Turkey. Yes.

TISK: Yes, in general. However, the realization of the points and objectives cited in Questions 8 to 14 may necessitate direct government involvement.

TÜRK-IS: (c) Yes.

United Kingdom. CBI: No. It is for individual governments to set goals. There is therefore no need for an instrument on this issue. In some cases, those goals will be achieved by programmes implemented and designed at the local level.

United States. The instrument should encourage the elimination of unnecessary paperwork and of regulations that inhibit the growth and productivity of small enterprises, while providing adequate social protection. The appropriate roles of government and employers' and workers' organizations should be considered against this standard. In the United States, small business is deemed critical to the economy and is the source of many new and innovative products and services.

USCIB: (a) and (d) A qualified yes. In general, government should focus on the establishment of appropriate legal frameworks, stable economic policies, free trade, and the provision of energy, telecommunications and transportation infrastructure. (b) No. In most instances, government should not develop national strategies for the promotion of SMEs. (c) Nor should it coordinate programmes and policies.

Uruguay. Employers: (a) The word "broad" should be deleted. (b) to (d) Yes.

Venezuela. (e) Facilitating access to international and national, technical and scientific advances through public and private institutions gathering and processing such information.

CGT: Yes. The instruments should encourage governments to promote, facilitate and endorse policies dealing with (a) to (d). (e) More flexible taxation and tariff barriers and access to national and international markets.

Employers: (a) Yes, see Question 5(a). (b) Yes. See Question 14(a) and (b). (c) and (d) Yes.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

A clear majority of replies are in favour of the proposed provision, with most supporting all or a majority of the specific areas of focus set out in subparagraphs (a) to (d) of Question 23.

With regard to subparagraph (a), the Office feels that the issue at stake has already been covered adequately under section D, Policy and legal framework, and has therefore decided not to include any further reference to it in the Proposed Conclusions.

With regard to subparagraph (b), some replies emphasize the importance of strong subnational/regional governments for the success of SME policies, and the need for national governments to work closely with their regional counterparts. The Office feels that the specific reference to decentralization contained in *Point 11* of the Proposed Conclusions adequately reflects these concerns.

With regard to subparagraph (c), the important role of governments with respect to involving various interest groups and building consensus among them, especially the social partners, is mentioned by some as an important part of the coordination process. Again, in the view of the Office, the provisions contained in *Points 9 and 10* of the Proposed Conclusions adequately reflect the substantial issues covered under subparagraph (c) of the question.

In respect of subparagraph (d), several replies point out that infrastructure is in some cases privately administered and that governments' role in such cases should be one of ensuring equitable access by SMEs. The Office has noted this comment and decided to amend subparagraph (l) of *Point 13* of the Proposed Conclusions to reflect it by adding the words "directly or through private sector intermediaries", and by adding reference to energy, telecommunications, transportation and roads in the same subparagraph.

In respect of subparagraph (e), a number of replies make specific suggestions for additional areas of government effort including: ensuring adequate social protection and stability, guaranteeing workers' rights and the enforcement of labour laws, environmental protection, and the provision of relevant information to the SME sector. With regard to the issue of social protection and stability, the Office feels that this issue is adequately dealt with under *Points 7(a) and 9(3)(b)*. As for workers' rights and the enforcement of labour laws, the Office feels that the references made under *Points 3, 8(1)(b) and 9(3)(a)* adequately reflect these issues. With regard to environmental protection and the provision of relevant information to the SME sector, the Office has added the former under subparagraph (q) of *Point 13* of the Proposed Conclusions, while provision of information is already included under subparagraph (i) of the same point.

In addition, the Office has decided to include the phrase "Members, without being directly involved in policy implementation, should in addition consider:" under *Point 17* of the Proposed Conclusions to ensure that the proposed provision concerning a limited role for governments in policy implementation contained in the initial sentence of Question 23, is adequately covered in the Proposed Conclusions.

The Office feels that with the amendments set out above, the provisions envisaged under Question 23 have been adequately covered in the Proposed Conclusions, while, at the same time achieving clarity and avoiding duplication in the text.

Qu. 24 *Should the instrument provide that part of the government's role is the establishment and sponsoring of organizations, other than employers' and workers' organizations, which:*

(a) effectively support the growth and competitiveness of SMEs?

(b) promote observance of international labour standards in SMEs in such areas as social protection and the elimination of child labour?

Total number of replies: 60.

Affirmative: 44. Argentina, Bahamas, Bahrain, Barbados, Belgium, Brazil, Bulgaria, Burundi ((b)), Cambodia, Canada, Central African Republic, Chad, China, Colombia, Costa Rica ((a)), Cyprus, Dominica, Egypt, Finland, France, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Lebanon ((a)), Malaysia, Mauritius, Mexico, Nicaragua, Philippines, Panama, Peru, Portugal, Qatar ((a)), Romania, Spain, Sudan, Suriname, Thailand, Uruguay, Venezuela, Yemen.

Negative: 10. Australia, Austria, Bangladesh, Chile, Czech Republic, Denmark, Netherlands, New Zealand, Norway, Poland.

Other: 6. Estonia, Malta, Kyrgyzstan, Switzerland, Turkey, United States.

Australia. No. The primary government role in this area is one of providing processes and opportunities for enabling organizations to undertake these roles. While examples of establishment and/or sponsorship of such organizations do exist in Australia, enshrining an essential and overriding government role in these aspects would not be desirable.

ACCI: The instrument should not provide that part of the government's role is the establishment and sponsoring of organizations outside the traditional structures of the social partners or other established bodies. Existing bodies are in most member States able to support the growth and competitiveness of SMEs and promote the observance of international standards. Where any extra or new bodies are necessary SMEs should be left to form them organically without governmental assistance. If existing structures are not able to promote the observance of standards, this role should fall to governments. For an instrument to have any practical effect, some thought must be given to funding realities in its drafting. Any effort to establish or sponsor new organizations would be an inappropriate use of what are almost always scarce resources.

Austria. The creation of separate organizations by the government to support the growth and competitiveness of SMEs or to promote the application of international labour standards in SMEs in areas such as social protection and the elimination of child labour does not seem necessary. The State should rather be responsible for stimulating the growth and competitiveness of SMEs and their adherence to provisions relating to social protection (not only), and should also guarantee suitable procedures for the implementation of such protection.

GMBE: Yes. In addition, the government should be responsible for ensuring that adequate provision is made for social concerns in all initiatives. Social security and stability are the basis of social peace. In this respect, workers' rights should be fully guaranteed.

DUP: Yes.

Bangladesh. See reply to Question 23.

Belarus. This can be implemented only in a number of countries with developed economies.

Belgium. (a) In general, the authorities can encourage the setting up of organizations of heads of enterprises and of SMEs focusing on objectives other than simply social dialogue: exporters' clubs, mutual guarantee networks, providers of special services (employers' social accounting secretariats), centres or incubators for SMEs, etc. (b) In Belgium, the social legislation inspection services come under the public service.

CNT: (b) Such organizations might not enjoy the independence that they must have in this area.

Brazil. Yes. In addition to establishing organizations, governments should organize services and implement forms of action in line with the provisions of Question 23.

CNT: (b) Yes, but with the role of government in this respect being carried out through interministerial commissions with the participation of the social partners.

Chad. CST: (b) Yes, provided that these government-sponsored organizations are not allowed to take the place of employers' and workers' organizations in the economic and social promotion of SMEs, respect for international labour standards, social protection and the elimination of child labour.

Chile. (b) No. The government's role is to create the appropriate climate for enterprise development in such a way that the formation of representative organizations of employers and workers is not hindered. They must be independent in their action and development. It is not up to the government to set up or sponsor private organizations, although the State may set guidelines for general cooperation and, through its institutions, ensure compliance with labour standards in general.

CONUPIA: Yes, making use of occupational organizations and NGOs.

Colombia. CGTD: (a) Yes. This will enhance employment possibilities. (b) Yes.

Czech Republic. No. The instrument could however specify that governments, in accordance with national customs, enforce the observance of international labour standards in SMEs, especially in such areas as social protection and the exclusion of child labour.

Denmark. LO: Yes.

Estonia. The roles of the government and the social partners are different. The provision of labour legislation and the general matter of social protection are the responsibility of the government.

ESEA: Yes.

Finland. (a) Yes. Governments can facilitate the development of additional organizations of this kind. (b) Yes.

France. (a) Yes. The government's role as regards assistance to SMEs may be either to create public or semi-public bodies, or not to hinder — and, in fact to facilitate — the action of private associations providing services in this area. (b) Yes. The government is directly responsible for ensuring respect for international labour standards in SMEs, in particular through inspection and administrative bodies. Private associations can play the additional role of providing information to employers and enhancing their awareness.

CFDT: No. The application of rights and the difficulty for trade unions to be present in SMEs are already troublesome enough without similar approaches being encouraged. Governments must above all strengthen social legislation to allow employers' and workers' organizations to play their roles fully.

Germany. BDA: The instrument can envisage such support; however, there should be no obligation upon governments; i.e. based on the principle of subsidiarity, the economy must be free to organize itself.

Ghana. TUC: Care should be taken that organizations sponsored by government, as proposed here, will be independent of government influence, to ensure proper implementation of both (a) and (b).

Hungary. Employers: (b) It is not appropriate to highlight certain areas. International labour standards should be observed in all areas.

Iraq. GFTU: No, since it would have negative effects on the activities of existing organizations.

Israel. Histadrut: Organizations established and sponsored by governments, as proposed here, are hardly likely to be independent of government influence. Therefore, while there may be some case for them in technical areas as indicated in (a), the proposal for governments to establish and sponsor organizations in politically sensitive areas such as the elimination of child labour and respect for other labour standards in (b) is ridiculous. The credibility of such organizations would be compromised from the moment of their creation and they would certainly be unable to function in an effective manner in any situation where they came under pressure. Governments should, on the other hand, respect the freedom of other organizations, including trade unions, to deal with these issues themselves. Many ILO member States have a long way to go before their governments refrain from attempting to manipulate independent organizations, including trade unions, when such politically sensitive issues are raised for public discussion.

Italy. CONFINDUSTRIA: Yes.

Japan. NIKKEIREN: If the instrument includes the provisions proposed here, it should also provide clearly that the establishment and sponsoring of organizations depend on the local conditions of each member State.

Jordan. FJCC: No.

Amman Chamber of Industry: It is not necessary to establish organizations other than employers' organizations, but similar groups could organize themselves on a voluntary basis into associations or special bodies to improve their status. Direct services can be provided to SMEs in the area of training through a vocational training institute.

Kyrgyzstan. The instrument should acknowledge the role of government in establishing and supporting SMEs. (a) It should provide for a beneficial system of taxation, which is indispensable for the economic growth and competitiveness of SMEs. (b) Yes.

Lebanon. (a) Yes. The question is how the development of SMEs is really possible under the fluctuating economic conditions in a great number of countries. (b) The bodies enforcing labour and social security laws and regulations are responsible for ensuring the observance of standards in the enterprises concerned, to the extent that they are applicable to these enterprises. The enterprises not covered by labour and social security laws and regulations are subject to the provisions of the general laws, and there is no need to establish specific organizations for this purpose. The elimination of illegal child labour is one of the basic tasks of the responsible government department.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Malta. Ratifying States should be free to adopt an appropriate approach depending on the social circumstances, in consultation with the social partners.

Mauritius. Yes. See reply to Question 23.

Netherlands. See reply to Question 23.

New Zealand. (a) The establishment of organizations to support SMEs should be undertaken in accord with national practice. Business policies in New Zealand are focused on all firms regardless of size, sector or location.

Niger. USTN: No. To sponsor organizations established under these conditions is ridiculous and inefficient, because any government-inspired workers' or employers' organization would be unable to exercise any independence. What is worse, since SMEs are a particularly sensitive area and involve child labour and the employment of women, there is a considerable risk of such organizations being manipulated "under pressure". Even in the case of independent trade unions, governments attempt to manipulate them in many countries. The credibility of such organizations would be compromised from the outset.

SPEIN: Yes.

Pakistan. PNFTU: The instrument should not provide that part of the government's role is the establishment and sponsoring of organizations, other than employers' and workers' organizations.

Panama. UNPYME: No. These structures already exist. The establishment of new or additional ones would increase the level of bureaucracy without really making any new contribution to society.

Peru. Yes. There are various spheres in which activities can be undertaken to assist small enterprises, such as those related to employment creation, technology, the environment, etc.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

All Poland Trade Union Alliance: Yes.

Portugal. CCP: Possibly, but with a wording which does not give an interventionist role to government.

Qatar. (a) Yes. The government may support organizations such as chambers of commerce and industry and cooperative unions in order to assist SMEs. (b) The observance of international labour standards is the responsibility of labour departments.

Senegal. CNTS: No.

South Africa. BSA: No. It is not the role of governments to establish such organizations, though they may be involved in sponsoring them. In general, countries should be encouraged to comply with ILO standards appropriate to their level of development, but this should not be a specific provision of an international instrument on SMEs.

Spain. This may be desirable.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Sudan. No objection regarding organizations such as banks, financing establishments and social foundations.

Sweden. LO: (a) No. (b) Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. In regard to Questions 24 to 29, it should be left to the economic players to choose freely how to organize associations of SMEs and associations of SME workers.

USS: Similar reply to that of Israel — Histadrut.

UCAPS: (a) No. It is not for government to establish and sponsor bodies to support SMEs — with the exception of university research institutes. (b) No. These aspects should be incorporated into bodies that already exist (labour administration) and should not be the pretext for the creation of more bureaucracy.

USAM: (a) It is not for the State to establish and sponsor bodies to support SMEs. (b) No.

Turkey. Yes, within the general legal framework.

United Kingdom. CBI: (a) Governments should encourage vehicles which provide access to support which will enable SMEs to grow and be competitive. (b) This should be part of an overall national policy geared to the observance of international labour standards as a whole and not specifically focusing on SMEs.

United States. See reply to Question 23.

USCIB: No.

Workers: (b) Government should promote observance of international labour standards in SMEs in such areas as social protection and the elimination of child labour. The instrument should say so. The government's role is to take a broader view. The welfare of worker-citizens should be considered.

Uruguay. Employers: No.

Venezuela. Yes.

Employers: No, unless the ILO is referring to organizations such as cooperatives or special bodies set up to assist the integration of informal operators. These functions should be performed by existing organizations, which should be assisted where necessary.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

Although the majority of replies are affirmative, there are a substantial number of critical replies and observations. While the replies and detailed comments generally support subparagraph (a), many remarks indicate that while the involvement of organizations other than workers' and employers' organizations may in some cases be relevant, the envisaged provision should ensure that the legitimate roles of employers' and workers' organizations in this area are not undermined.

Many remarks, especially from workers' and employers' organizations, raise a number of reservations about subparagraph (b). In particular, a significant number of observations mentioned that government-sponsored organizations to promote the observance of international labour standards in SMEs in such sensitive areas as social protection and the elimination of child labour risk lacking the necessary objectivity and independence to be effective. It is further stated that the establishment of such organizations might lead to unnecessary bureaucracy and waste of resources, and that their functions can, in most cases, anyway be handled more effectively by governments or other existing structures, especially workers' and employers' organizations. It is also recognized, however, that legitimate organizations to deal with such issues, other than workers' and employers' organizations, may emerge without government support.

The Office has decided to retain subparagraph (a), while amending the preceding text by replacing the words "other than workers' and employers' organizations" by "in addition to workers' and employers' organizations". Regarding subparagraph (b), the Office has decided, in view of the strong reservations expressed, not to include this provision at this stage, subject to the outcome of the Conference discussion.

The text, as amended, has been included as subparagraph (1) of *Point 17* of the Proposed Conclusions.

Qu. 25 *Should the instrument provide that governments should consider the establishment of an apex SME institution which would generally coordinate and support the initiatives related to SME promotion?*

Total number of replies: 56.

Affirmative: 40. Argentina, Australia, Austria, Bahamas, Belgium, Bulgaria, Burundi, Cambodia, Central African Republic, Chad, China, Costa Rica, Cyprus, Denmark, Egypt, Estonia, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Malaysia, Mauritius, Nicaragua, Norway, Panama, Peru, Philippines, Poland, Portugal, Romania, Slovakia, Spain, Sudan, Suriname, Turkey, Uruguay, Venezuela, Yemen.

Negative: 11. Bangladesh, Barbados, Belarus, Brazil, Canada, Chile, Czech Republic, Finland, Hungary, Mexico, Netherlands.

Other: 5. Dominica, Lebanon, Malta, Switzerland, United States.

Australia. Yes, but the establishment of such an institution presents a number of difficulties. These include problems in defining the strategic role of such a body, the capacity for it to meet adequately the diversity of demands of SME clients and the level of resources required to achieve its objectives.

ACCI: For most States such institutions already exist within the established employer framework. Australian experience suggests that from time to time a range of competing organizations have emerged claiming to be apex organizations representing SMEs. These organizations have not, for the most part, enjoyed permanence, and SMEs have preferred established and ongoing employer organizations. Any state-sponsored apex organization would be inappropriate and in most economies likely to fail. An instrument should not provide that governments should consider such an option, but such an option should remain open to governments which choose it independently of the instrument.

Bahamas. Yes, as this would enable easier coordination and monitoring.

Bangladesh. See reply to Question 23.

Belarus. The ILO can only give advice and not make it incumbent on governments to carry out certain activities. Implementation of this proposal would lead to the formation of a new bureaucratic structure.

Belgium. Centralized organizations of this sort can be found in some countries, such as Belgium, where there is a specific ministry responsible for certain policies relating to SMEs. In addition, the Government has a particular body with which it discusses issues involving independent workers and SMEs, namely the "Higher Council of the Middle Classes", which groups together all the representative federations of the craft industry, SMEs and the liberal professions.

Brazil. It would be more advisable for governments to maintain strict coordination of their action and services for the promotion of SMEs than to establish special institutions for the sector. The government should stimulate and support the establishment of an apex SME institution but its establishment should be decided upon and carried out by employers and workers.

CNI: Yes.

CNT: Yes, but see reply to Question 24(b).

Canada. No. The establishment of such a mechanism may not always be appropriate for national/regional circumstances.

Chad. Yes. The Industrial Promotion Office of Chad has unfortunately been dissolved.

CST: Yes. Employers' and workers' organizations should be members of this apex SME institution.

Chile. No. The instrument must ensure flexibility, allowing governments to adopt their own specific institutions which may be part of existing public agencies responsible, inter alia, for promoting and supporting SMEs.

CONUPIA: Yes.

Costa Rica. Yes, because it is necessary to have an authority to oversee the sector.

Cyprus. Yes, depending on local conditions.

Denmark. Yes, in certain cases; the institution should be established in consultation with existing SMEs.

DA: No.

AC: No.

Dominica. In Dominica the National Development Foundation of Dominica (NDFD) has been established for that purpose, but this is a non-governmental institution.

Egypt. Yes, where such an institution does not currently exist, as is the case in some member States.

Estonia. Yes. Such an institution would be necessary. In Estonia the Institute of Economy might be an institution that could generally coordinate and support initiatives related to SME promotion.

EATU: No.

Finland. The question of the establishment of an organization to coordinate SME policy is an operational detail, which should be left to national decision-making.

Germany. BDA: The instrument should provide that, in accordance with the principle of subsidiarity, the establishment of an apex SME institution must be based on the will of the enterprises. The instrument should oblige governments not to hinder the formation of such an institution if it emerges at the grass roots level.

Ghana. TUC: Yes.

Hungary. No. This can be better fulfilled by employers' organizations.

Iraq. GFTU: Yes.

Israel. Histadrut: This is a matter for decision by each member State in the light of its own national circumstances.

Italy. CONFINDUSTRIA: Yes, but excessive state bureaucracy should be avoided.

Jordan. FJCC: No.
GFJTU: No.

Kuwait. No objection.

Kyrgyzstan. The instrument should include a provision stating that the government may establish institutions concerned with the SMEs' problems, and should promote cooperation between enterprises and upgrade the production system.

Lebanon. This depends on the need to establish such an institution. The decision should be left to each State, taking into account that Question 23 includes a reference to the role of governments in the coordination of policies and programmes to support SMEs. Consequently, coordination should be left to governments in order to avoid having too many bodies responsible for the sponsoring of these enterprises.

Lithuania. LDS: This is a matter for decision by each member State in the light of its own national circumstances.

Malta. See reply to Question 24.

Mauritius. Yes. See reply to Question 23.

Mexico. No. Rather than an apex institution, what is needed is the formulation and operation of an integrated programme for SMEs, to be agreed on by the different social actors and which promotes the support initiatives in a coordinated manner.

Netherlands. No. See reply to Question 23.

Nicaragua. Yes. Nicaragua has an institution of this kind.

Niger. USTN: No. These initiatives should be left to the member States according to national conditions.

SPEIN: Yes, for a private institution.

Norway. Yes, according to national conditions.

Pakistan. PNFTU: This may be left for the decision of individual member States depending on their national circumstances.

Panama. UNPYME: Panama already has a Council for the Development of Small Enterprises. It could perhaps be provided with better tools and more dynamism, and strategies could be developed for ongoing improvements in quality in private enterprises.

Peru. Yes. An apex support institution should be established not only for SMEs, but for micro-enterprises and business units in the informal sector. SMEs are not adequately represented, and this frequently restricts their growth and competitiveness.

CATP: Yes, an institution that would generally plan, promote, develop, support and guide the initiatives related to the creation and working of SMEs.

Poland. Solidarnosc: This is a matter for decision by each member State in the light of its own national circumstances.

Portugal. CCP: Yes, but depending on the national structure.

Senegal. CNTS: Each member State should decide this in the light of its national situation.

Sri Lanka. CWC: This is a matter for decision by each member State in the light of its own national circumstances.

Sudan. A bank could be established for this purpose.

Sweden. LO: No.

Switzerland. See reply to Question 24.

USS: This should be left for decision to each member State in the light of national circumstances.

UCAPS: No. The establishment of an apex institution is the responsibility of the enterprises themselves and not of the State. It would be easier to encourage governments to respect the principle of freedom of association and consequently the free establishment of employers' and workers' associations.

VSA: No. The State should not establish such an institution, but should at most assist organizations which are formed at the initiative of the SMEs themselves and which are supported jointly by them.

USAM: An initiative of this kind would only serve to make bureaucracy more cumbersome.

Turkey. TISK: The establishment in Turkey of an apex SME institution to coordinate and support initiatives related to SME promotion is considered to be unnecessary due to the existence of professional institutions to which SMEs are affiliated. The KOSGEB which operates under the Ministry of Industry and Trade has been established for this purpose. Moreover, chambers of commerce of which small enterprises are required to become obligatory members and federations of which artisans and craftsmen are legally obliged to become members defend the interests of these production units.

United Kingdom. CBI: It is a matter for decision by individual governments. In the United Kingdom, there is a national vehicle for access to SME support (Business Links), although it operates at a local level.

United States. See reply to Question 23.

USCIB: No.

Uruguay. Employers. No.

Venezuela. Yes, in order to support initiatives relating to the promotion of and provision of advice to SMEs, in all areas of importance to employers' organizations, such as marketing, finance and technological innovation.

Employers: No, the principle of plurality of institutions should be maintained, and the government should confine itself to providing guidelines and infrastructure support.

Zaire. CDT: This should be left to each member State to decide in the light of its national circumstances.

A large majority of replies are affirmative. Comments from employers' and workers' organizations indicate that they are also in general agreement. A number of replies by governments, workers' and employers' organizations state that decisions regarding the establishment, or not, of an apex institution must be made by national authorities after assessment of existing institutions and specific local conditions. A few replies also emphasize the need to avoid unnecessary bureaucracy and duplication with existing structures and organizations. Further replies indicate a desire for consultation with and involvement by the private sector in establishing or operating such an apex institution.

The Office feels there is no need to make an amendment to accommodate the opinion that the creation of such an apex institution must be decided by national authorities in accordance with existing institutions and specific local conditions, since such a provision is an inherent general principle of flexibility pertaining to the proposed Recommendation. The Office feels, however, that the call for consultation with, and involvement of, the private sector is appropriate and has therefore decided to amend the text of the proposed provision by adding the sentence: "In this regard, consultation with and involvement of the private sector should be considered."

The proposed provision, as amended, is included as subparagraph (2) of *Point 17* of the Proposed Conclusions.

Qu. 26 *Should the instrument encourage the following types of involvement of employers' organizations in SME development:*

(a) voicing the concerns of SMEs towards government regarding the policy and legal frameworks in which they operate?

(b) provision of direct support services such as training, consultancy, facilitating access to credit, marketing support, promoting linkages with larger enterprises and similar services?

(c) involvement in the governance of national, regional and local SME-oriented institutions which provide support in such areas as training, consultancy, business start-up and quality?

(d) participation in councils, task forces and other bodies at central, regional and local levels established to deal with important economic and social issues, including policies and programmes affecting SMEs?

(e) taking part in the development of economically and socially progressive restructuring (by means of, for example, retraining and promotion of self-employment) while maintaining appropriate social safety nets?

(f) becoming involved in promotion of exchanges of experience and establishment of commercial linkages between SMEs?

(g) participating in the monitoring of social and labour market issues regarding SMEs, including terms and conditions of employment and working conditions?

(h) becoming involved in campaigns to raise quality, productivity and ethical standards and to achieve gender equality?

(i) others types of involvement? (Please specify.)

Total number of replies: 63.

Affirmative: 55. Argentina, Australia, Bahamas, Bahrain, Barbados, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile ((a to (f) and (h)), China, Colombia ((a), (b), (e) to (h)), Costa Rica ((a), (b), (e), (f), (h)), Cyprus, Czech Republic, Denmark, Dominica, Egypt, Finland, Germany, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Mauritius, Mexico, Nicaragua, Niger ((a) and (b)), Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Slovakia, Spain, Sudan, Suriname, Thailand, Turkey, Uruguay, Venezuela ((b) to (d) and (f) to (h)), Yemen ((b) to (d) and (f) to (h)).

Negative: 2. Bangladesh, Netherlands.

Other: 6. Austria, France, Malta, New Zealand, Switzerland, United States.

Argentina. (i) In addition, the instrument should promote the organization of SMEs in specific institutions through which they can identify their representatives and which can help to bring about the necessary conditions for the development of collective bargaining in the SME sector.

Australia. Yes. However, the details of the proper roles of employer, staff and other organizations in the very important and necessarily innovative area of SME development will not necessarily be identical (as implied by this question and Question 28), nor necessarily would all the involvements specified be appropriate in all circumstances. The Recommendation should therefore focus on providing brief general guidance as to the principles to be followed, rather than detailed prescription.

ACCI: Yes. An instrument should encourage the involvement of employers' organizations in the areas mentioned. (a) Employers' associations have long had a role in voicing the concerns of SMEs towards governments on legal and policy frameworks, and this should be encouraged in any instrument. (b) Yes. Similarly, employers' associations have long played a role in the provision of a range of services to business, and this should be recognized and encouraged in an instrument. (c) Employers' associations, as the bodies commonly most representative of SMEs, should have a role in representing them in the governance of institutions and participating in councils, task forces etc. on their behalf, and an instrument should recognize this. Some provision may have to be made to balance the dual role of such associations if they are also delivering services, but the balance and supervision of such a role are matters for those associations. (d) Yes. (e) Yes. A role in retraining, or post-redundancy programmes would be a novel one for most employers' associations. An instrument could encourage employers' associations to investigate such a role. (f) Associations have had a long experience in creating links between businesses through networking and trade opportunities. This should be recognized in any instrument. (g) Yes. Employers' associations have not traditionally played a role in the monitoring of social and labour market issues in the workplace, but rather have been involved in the promotion and encouragement of such policies and issues with regard to individual employers. An instrument should recognize this role of employers' associations, rather than attempting to push them into any monitoring or enforcement role. If associations adopted such a policy, they might well experience substantial difficulty in retaining membership. (h) Yes. An instrument could encourage employers' association involvement in campaigns to raise quality, productivity, and ethical standards. But the instrument should not be excessively detailed and should recognize the need for employers' associations to retain discretion in their operating activities. (i) Sharing of information between associations on a national and international basis. Associations could be encouraged in an instrument to share information and experiences and hold discussions to establish best practice in their dealings with SMEs (see also reply to Question 30).

Austria. The participation of employers' organizations in the monitoring of social and labour market issues associated with SMEs, including working and employment conditions, may be provided only for those areas in which monitoring is not carried out by authorities (labour inspectorate) or public corporations (labour market service). Employers' organizations should however be required to provide SMEs with extensive information on this subject.

DUP: (a) to (f) Yes.

Bahamas. Yes.

Bangladesh. See reply to Question 23.

Belgium. Yes. The situations described can be found in Belgium.

Brazil. Yes. However, it should be noted that employers' organizations have a limited capacity to contribute in some respects, in particular as regards (b). (c) Yes. One possible way of solving this could be through the establishment of funds or cooperatives to finance SMEs. On the other hand the organization of the social security scheme is the responsibility of the public authorities, with financial contribution from the employers, who can also set up complementary social security schemes for their employees. (i) Contribution to the systematic production of statistics, carrying out of studies on SMEs, and helping in the setting up of central, regional and local institutions to coordinate and provide support for initiatives related to the promotion of SMEs.

CNT: (a) to (d) Yes. However, as regards (b), any direct financial contribution by employers' organizations is restricted by the shortage of such funds for third parties. (e) The maintenance of a basic social security scheme providing social insurance and basic health care should be guaranteed by the State, with the possibility of participation by private enterprise in the establishment of complementary social insurance and medical care. Vocational retraining is already being given attention by para-state bodies.

Canada. Yes. (i) Human resources, labour code, occupational health and safety.

CEC: Governments should consult with SME employers and their representative associations to seek advice and guidance on where and in what ways governments can support business activity. In addition, they should consult with SMEs regarding tax incentives crucial to the development of innovation-based technologically sensitive SMEs as these firms embody the growth and export potential critical to a country's long-term economic success. Governments should also consult with SMEs regarding trade opportunities and global economic factors to determine the most effective forms of support as well as the elimination of duplication. A significant amount of private sector, export-related support is already available to SMEs. At the same time governments should consider the advisability of continuing to expend large sums of public funds annually on trade promotion activities, especially when some of this government activity duplicates services that are already available through the private sector, or from other levels of government. There does not seem to be a need in developed trading nations like Canada for government to mount new export-related programmes and services. It may be more appropriate for government to point SMEs in the direction of private sector providers of export support, rather than attempting to fill that role itself. The primary responsibility for SME growth and for building trade opportunities both nationally and internationally lies with business, not government. It is likewise unnecessary, and will in fact be costly and bureaucratic for SMEs if governments should require additional reporting and monitoring of employment and working conditions. SMEs are presently required to conform with national and provincial labour laws which are applicable to all enterprises within the appropriate jurisdictions.

Chile. CONUPIA: Yes.

Colombia. ACOPI: Yes.

CGTD: (a) to (b) Yes. (c) Yes, with the aim of ensuring that SMEs progress sufficiently to enable them to establish links with large industry, i.e. to enable them to cease being small enterprises.

Denmark. Yes. The need for individual and specific counselling is acknowledged, and it should involve the social partners who have experience and knowledge of the prevailing conditions and requirements.

LO: (a) to (b), (d) to (h) Yes. (c) Representatives of SMEs should be directly represented together with the social partners.

DA: (a) to (e), (g), (h) Yes.

CA: Yes.

Estonia. ESEA: Yes.

ECIE: (a) to (d) Yes.

EATU: (a) to (e), (g), (h) Yes.

Finland. The activities listed would be useful, and labour market organizations can if they wish promote them, but they must be free to take the respective decision themselves.

France. The main role of employers' organizations vis-à-vis SME development must be to emphasize their viewpoint regarding the appropriate legal and financial framework to be set up by the authorities to promote SME development. Depending on national circumstances, a wide variety of actions can be carried out and may include involvement in the governance of national and local institutions, the monitoring of social and labour market issues, and the setting up of support services for SMEs. Trade organizations have a particularly important role to play in regard to employment creation objectives in SMEs.

CFDT: The most important points are employment and working conditions, training and social protection.

Germany. In Germany, it is not considered the responsibility of the State to encourage the establishment of representative organizations. This is based on the conviction that the parties themselves, in the light of their own situation, are best suited to decide whether the establishment of interest groups is necessary and what areas these groups should focus on. Numerous regional and supraregional organizations have been formed in Germany representing the interests of SMEs. There is no objection to including the proposed list of forms of involvement provided that they are not mandatory for the respective organizations.

BDA: The instrument could provide that employers' organizations could make a contribution in all the areas listed. In this context, the obligation upon States to guarantee the freedom of development and opinion of employers' organizations is of particular importance.

Ghana. TUC: Yes.

Hungary. (a) to (h) Yes, provided that it results from a corporate decision in accordance with the statutes of a given employers' organization.

Iraq. GFTU: Yes.

Israel. Histadrut: Yes. The most important issues listed concern those mentioned in (g), to which should be added social protection and training.

Italy. Yes, in particular (a), (b), (c), (d) and (h).

CONFINDUSTRIA: Yes.

Japan. NIKKEIREN: Yes.
RENGO: Yes.

Jordan. FJCC: (a) to (e) Yes.
GFJTU: (a) Yes.

Kyrgyzstan. Yes. (a) Employers' organizations should report to the government on all problems concerning the policy and legal environment. (b) Including dissemination of information on the operation of SMEs, training of instructors and publication of adequate learning materials; there is a need to conduct consultations on credits, financial support and the granting of loans to SMEs as well as on training in management and marketing. (c) Including participation in campaigns for higher productivity and better quality of products. (d) Including participation in committees to promote job creation. (f) Including timely dissemination of information on the most successful practices, periodical publications, organizing seminars and meetings.

Lebanon. Yes, as far as possible. (i) Participation in finding markets, organizing exhibitions and identifying sources of finance.

Lithuania. LDS: Yes, and in particular, (g).

Malta. See reply to Question 24.

Mauritius. Yes.

Mexico. Employers' organizations should be encouraged to advise government in respect of industrial and commercial policy. Direct support services, such as training, advisory services, easier access to credit, and assistance in marketing, should be provided by employers' chambers and organizations. The instrument should also encourage employers' representatives to organize awareness campaigns to encourage and help industrialists in their search for total quality and the benefits which can be obtained from its application, based on high-level ethical principles. Industrial fairs could be organized periodically to bring together small producers and potential buyers from the public, social and private sectors.

Netherlands. In respect of Questions 26 to 29, the Recommendation could state that the specific interests of small-scale organizations and the employees involved, given the specific features of such organizations, should be protected in the individual organizations of the social partners. In addition, it is the joint responsibility of national governments and social partners to ensure that these specific interests are recognized and considered in all mutual contacts, e.g. in discussions on terms of employment and government policy. However, the attitude and policies of employers' and workers' organizations are the responsibilities of their members. The Recommendation should not make any statements on these points. Only a small proportion of SME employers belong to employers' organizations, and the level of organization within SMEs also tends to be relatively low amongst workers. These two points should receive the attention of employers' and workers' organizations respectively, and of national governments in particular.
VNO-NCW: See reply to Question 15.

New Zealand. In New Zealand, employers' organizations are free to participate in any forum they wish. The extent of the involvement of employers' organizations with SMEs and the related policies are matters for the organizations themselves to decide. As stated in the reply to Question 11, New Zealand regularly consults with all interested parties when reviewing policy.

Niger. USTN: Yes. Training and social protection should be added to (g).

SPEIN: Yes. (a) Yes, because of the fiscal and legal impediments in their way. (b) Yes for ongoing vocational training.

Pakistan. PNFTU: Yes.

Peru. Yes. (i) Employers' organizations could make an effort to attract small entrepreneurs, including own-account workers and those from the informal sector. Representing entrepreneur interests vis-à-vis the government has for a considerable time been one of the main concerns of employers' organizations, which can play a protective role and express the concerns of SMEs as regards issues relating to standards.

Philippines. (i) International exchange of human resources.

Poland. Solidarnosc: Yes, and in particular, (g).

Portugal. Yes. (i) Organization and management of human and material resources, marketing and markets, information technology and telecommunications.

EO-CCP: Yes; however, employers' organizations already carry out these activities.

Senegal. CNTS: Yes. (i) Training and social protection.

South Africa. BSA: The instrument should limit itself to encouraging appropriate involvement in SME development by employers' and workers' organizations. It should not attempt to stipulate in such detail what these roles must be.

Spain. Yes, especially (e) and (g), where the participation of employers' organizations in the monitoring of social and labour market issues might entail their involvement in the creation of a legal framework through consultation, reports or any other procedure provided for under national legislation. They should similarly participate in the implementation and management of measures, also in accordance with national practice.

Sri Lanka. CWC: Yes, and in particular, (g).

Suriname. (i) Linkages with larger enterprises.

Sweden. LO: (a) No. (b) to (h) Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. See reply to Question 24.

USS: Yes, and in particular, (g).

USAM: Yes. (a) This is a normal function of employers' organizations.

UCAPS: Many of the points listed from (a) to (h) constitute the usual responsibilities of an employers' organization. Either an employers' organization is recognized as such and then it clearly represents, in particular vis-à-vis the government, the interests of its members, or it is not representative or lacks substance and it does not deserve to receive the support of an international labour Recommendation incorporated into national legislation. In short, the text goes into too much detail.

Turkey. TÜRK-IS: Yes to all except (c) and (f).

United Kingdom. CBI: Yes to all except (g). (e) Yes, where appropriate.

United States. See reply to Question 23.

USCIB: Yes. The Office report notes that "employers' organizations may, and in many cases already do, develop the capacity to provide direct support services to the SME sector in such areas as training, consultancy, access to credit, information, linkages with larger enterprises, marketing and export support and advising members on legal and social responsibilities" (page 77). The fact that employers' organizations already deliver these services, indicates that there is a demand for them. Given this, employers' organizations, and other non-governmental organizations are a more appropriate vehicle for the delivery of these services than government. However, how actively the instrument ought (or needs) to encourage these organizations to provide these services depends on the absence of existing market incentives to provide optimal amounts of these services.

Workers: (g) Government, as an independent, objective entity, should be strongly involved in many of these issues. Often, business is not very good at self-monitoring and has little incentive to do so. Full support for (g). Workers' organizations and workers are highly knowledgeable about many workers' issues, such as occupational safety and health conditions and other conditions at worksites.

Uruguay. Employers: Yes to all except (d) and (g). (h) The expression "and to achieve gender equality" should be deleted.

Venezuela. (g) Participating in campaigns to make quality, productivity and ethical standards is part of normal enterprise practice.

CGT: Yes.

Employers: Yes. (e) Yes, "social safety nets" militate against job creation and ways of making them less burdensome should be sought. (g) Yes, within the legal framework, each enterprise should establish its own conditions.

Zaire. CDT: Yes, and in particular, (g).

Replies are overwhelmingly affirmative to all of the subparagraphs (a) to (h) of the question. A few remarks indicate that subparagraph (g) should be oriented more towards a promotional rather than monitoring role with regard to social and labour market issues such as terms and conditions of work and working conditions. A number of replies from workers' organizations suggest adding social protection to the same subparagraph (g). Other replies emphasize that the decision with regard to what SME services are appropriate should be left to the individual employers' organization concerned, and that such decisions would depend on existing markets (or absence thereof) for such services.

A number of comments propose additional services such as: sharing of best practice with regard to SME promotion among national and international organizations, export promotion, market identification, trade fairs, studies and statistics on SMEs. Some of these have already been indirectly mentioned in the proposed text (i.e. marketing support).

In view of the overwhelming number of affirmative replies, the Office has decided to retain the text with only very minor amendments. In (g), the word "promoting" has been added to "monitoring". An additional subparagraph (i) has been added to reflect the possible role of employers' organizations in "preparing studies on SMEs ... and sharing these as well as lessons of best practice in the promotion of SMEs among national and international employers' organizations".

After reviewing the replies to the similarly worded Question 28 regarding the role of workers' organizations in the development of SMEs, the Office has decided to combine the envisaged provisions to cover services by both employers' and workers' organizations into a single Point. The replies in both cases recommended very similar wordings and the combination of the two provisions into one will substantially reduce the length of the Proposed Conclusions and eliminate what would otherwise be considerable overlap and duplication.

The provisions contained in Questions 26 and 28, as amended and consolidated along the lines set out above, have been included as *Point 18* of the Proposed Conclusions as a basis for further discussion by the Conference.

Qu. 27 *Should the instrument:*

(a) encourage the establishment of independent representative organizations of SMEs?

(b) alternatively, encourage more broadly based employers' organizations to extend their coverage of SMEs? If so, should it encourage them to establish special SME departments?

(c) encourage the establishment of independent representative employers' organizations for the self-employed?

(d) alternatively, encourage more broadly based employers' organizations to establish special sections for the self-employed?

Total number of replies: 61.

Affirmative: 47. Argentina ((a)), Bahamas, Bahrain ((b)), Barbados ((b), (c), (d)), Belarus ((a)), Belgium ((a)), Bulgaria ((a)), Cambodia, Canada ((a) and (c)), Central African Republic, Chad ((b) and (c)), Chile ((b) and (d)), China, Colombia ((a)), Costa Rica ((a) and (c)), Cyprus ((b) and (d)), Czech Republic ((b) and (d)), Dominica ((a) and (d)), Egypt ((a) to (c)), Estonia ((b) and (d)), France ((a), (b), (c)), Italy, Japan, Jordan ((a) and (c)), Kenya, Kuwait, Kyrgyzstan, Malaysia ((b) and (d)), Mauritius ((a) and (b)), Mexico, Nicaragua ((a) and (c)), Niger ((a)), Norway ((b)), Oman ((a)), Panama ((b) and (d)), Peru ((b) and (d)), Philippines, Poland, Portugal, Qatar ((b) and (d)), Romania, Slovakia, Sudan ((b) and (d)), Suriname ((b) and (d)), Turkey ((a)), Uruguay ((a) and (c)), Venezuela ((a) and (c)).

Negative: 15. Bangladesh, Bulgaria ((b), (c), (d)), Canada ((b) and (d)), Chad ((a)), Cyprus ((a) and (c)), Czech Republic ((a) and (c)), Denmark, Dominica ((b) and (c)), Estonia ((c)), New Zealand, Nicaragua ((b) and (d)), Norway ((a), (c), (d)), Oman ((b), (c), (d)), Suriname ((a) and (c)), Uruguay ((b) and (d)).

Other: 11. Australia, Austria, Brazil, Finland, Germany, Hungary, Lebanon, Malta, Netherlands, Switzerland, United States.

Argentina. (a) Yes. The instrument should not encourage the establishment of a specific form of organization, as the ideal may vary from country to country.

Australia. The instrument should not be prescriptive on this Point. It should encourage the adoption of one or more of the options listed, as appropriate to national conditions.

ACCI: (a) No. The instrument should not encourage the establishment of independent representative organizations of SMEs. (b) Yes. It should, however, encourage broadly based employers' associations to extend their coverage to SMEs where they do not do so. This encouragement should not of course apply to all employers' associations, rather it should target systems in which only a single major employer body exists, or systems where multiple associations exist, but with none offering coverage to SMEs. (c) No. The self-employed do not need to have special associations to further employment in SMEs. If they wish to form such associations they should of course be free to do so; however, no special encouragement is necessary from governments. The self-employed can often be integrated into existing employers' associations, and where they cannot be integrated, the instrument should encourage associations to widen their membership structures. (d) No. Special sections for the self-employed within established broadly based association structures are unnecessary. No material difference exists between the interests of the self-employed and those of other SMEs. Associations should be encouraged to provide services and representation for SMEs (where appropriate), and this should be sufficient to account for the needs of all SME proprietors, including the self-employed.

Austria. In principle, all employers and self-employed persons should be represented by employers' organizations. It should be left to individual States to decide whether such representation should be provided by independent representative organizations (a), or broad-based employers' organizations (b).

DUP: (b) and (d) Yes.

Bahamas. Yes.

Bangladesh. See reply to Question 23.

Barbados. BWU: (a) Yes.

BEC: (a) No.

Belarus. (a) The instrument should encourage the establishment of independent representative organizations uniting SMEs.

Belgium. Yes. It is (a) which has been the situation in Belgium for the past few decades now.

CNT: At the occupational level, priority should be given to employers' and workers' organizations as defined in section III of the Act respecting collective industrial agreements and joint committees of 5 December 1968, which provides for the representation of all employers and workers respectively rather than specific groups — though it does not exclude this possibility at the sectoral level, particularly in regard to representative organizations of independent or self-employed workers (Question 29(c) and (d)). In Belgium, workers' organizations represent, at the occupational level, workers from all sectors of activity. The same is true of employers' organizations, some of which also group together self-employed workers.

Brazil. The instrument should merely encourage the free organization of employers and workers, who should be left to decide about the adaptation of their organizations to national legislation and practice and to the needs of SMEs.

CNI: (a) and (c) No. (b) and (d) Yes.

CNT: (a) and (c) No. (b) and (d) Yes.

CNC: No.

Canada. (a) Yes, where appropriate, given the special needs of SMEs, and the risk that these may not always be satisfied by larger organizations. It is suggested to change the wording from "encourage" to reflect that governments should facilitate and not impede the formation of organizations. (b) No. (a) above is preferable, but linkages with other employers' organizations should be promoted. (c) Yes. Could be represented by independent SME associations. (d) No. (c) above is preferable; however, this may be appropriate in some cases.

CEC: Not necessary.

Chad. (a) No. As SMEs are employers, their representatives would come under the employers' organization. (b) Yes, and possibly special branches for SMEs. (c) Yes, if they have no employees. (d) A trade union would be more suitable for people who are self-employed.

Chile. CST: Yes.

CONUPIA: (a) and (c) Yes. (b) and (d) No.

Colombia. ACOPI: (a) No.

CGTD: (a) Yes. Experience in some countries has shown that establishing tax incentives for SMEs can be a useful way of stimulating a higher density of jobs. Organizations representing this type of industry have shown good results, and the instrument could take up this proposal.

Cyprus. (a) and (c) No. (b) and (d) Yes. Moreover, employers' organizations should be encouraged to establish special SME departments.

PEO: The instrument should encourage employers' organizations to extend their coverage of SMEs and establish special departments both for SMEs and for the self-employed.

Czech Republic. SPD CR: No to all except (b).

KUK: (a) and (d) No. (b) and (c) Yes.

KPZS CR: (a) and (d) No. (b) and (c) Yes.

Denmark. No. These matters should be left to the initiative and responsibility of the SMEs themselves.

LO: (a) Yes. (b) SMEs with employees should have the possibility to become members. (c) Reference to ILO Conventions Nos. 87 and 98. (d) SMEs with employees should have the possibility to become members.

DA: No.

AC: (a) No.

Egypt. EFTU: Yes to all except (c).

Estonia. ESEA: (a) Yes.

ECIE: (b) and (d) Yes.

EATU: (b) and (d) Yes.

France. (a) and (b) Yes. SME representation within those organizations should be strengthened and, when possible, the establishment of independent representative organizations of SMEs should be encouraged. (c) and (d) For the self-employed, specific trade organizations for each field of activity appear to be the best way of achieving the objectives outlined under Question 26.

CFDT: Yes. Adhesion to representative employers' organizations is to be encouraged.

Finland. The establishment of different kinds of organizations should be based solely on the needs and will of their potential members.

Germany. In Germany, there is no definition of the term "representative organization"; before the term is included in the instrument, its meaning should be clarified.

BDA: With regard to all these questions, the instrument should not contain specific provisions. In accordance with the principle of subsidiarity, the instrument should provide that initiative and decision-making should rest with enterprises.

Ghana. TUC: For effective coordination, SMEs should join representative employers' organizations.

Hungary. Instead of the suggestions under (a) and (b), the instrument should recommend that if SMEs do not have independent representative organizations, their establishment should be encouraged. If there are wider employers' organizations, they should be encouraged to extend their activities to cover the SME sector, setting up special SME departments, if necessary. Instead of the suggestions under (c) and (d), the instrument should recommend that if there are no independent representative employers' organizations for the self-employed, their establishment should be encouraged. If there are wider employers' organizations, the instrument should encourage them to set up special departments for the self-employed.

Iraq. GFTU (a) and (c) No. (b) and (d) Yes.

Israel. Histadrut: To be most effective and responsible, SMEs should join representative employers' organizations. Specific employers' organizations might be appropriate in certain sectors although it would generally be anticipated that such organizations would form part of existing representative national employers' organizations.

Italy. CONFINDUSTRIA: The instrument should encourage the creation of organizations representing enterprises in general, within which SMEs would be duly represented.

Japan. NIKKEIREN: It would be useful to establish representative associations and organizations with policies and opinions that contribute to the promotion and development of SMEs, at the initiative of each member State and existing employers' organizations. The instrument should encourage the establishment of such organizations where necessary, depending on each country's particular conditions.

RENGO: Yes.

Jordan. GFJTU: No.

Amman Chamber of Industry: See reply to Question 23.

Kuwait. Yes.

Kyrgyzstan. (a) and (c) Yes. (b) Employers' organizations should defend the interests of SMEs in respect of policy issues and the preparation and implementation of legislation. They should support SMEs in such areas as training, consultative and information services, access to credit, establishing links with viable and competitive enterprises, marketing and the promotion of export operations, as well as consultations on legal issues and on standard-setting and regulatory instruments concerning social aid. (d) Employers' organizations may also render assistance to the State and SMEs, including through special agencies established for the support of fledgling entrepreneurs.

Latvia. Workers: (a) SMEs could be encouraged to form independent organizations, after which they could join national employers' organizations, or sectoral organizations. (d) Employers' organizations could be encouraged to establish subsections to attract the self-employed.

Lebanon. (a) This should be left to the national laws and regulations. (b) The coverage of employers' organizations may be extended to SMEs, if this is not already the case, according to legislation in force. The establishment of special SME departments should be left to the appreciation of employers themselves. (c) No objection if the persons concerned wish to do so, according to national laws. (d) This alternative may be adopted if the parties so wish, according to the laws in force.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Malta. See the reply to Question 24.

Mauritius. SMEs should organize themselves in groups so that they can better voice their needs to the authorities concerned. As a strongly organized group, SMEs can more effectively formulate their proposals for the national budget. On the other hand, given their experience, broadly based employers' organizations and voluntary institutions could run service centres to provide support services such as legal advice, accounting, marketing and export promotional support to SMEs on a voluntary basis or at a reduced or subsidized cost. Similarly, large enterprises acting as parent organizations could adopt and sponsor SMEs.

Mexico. (a) Yes, provided that the objective is to unite efforts and form links in production chains. (b) Yes. (c) All groups should have organizations to represent them, and thus the instrument should encourage the creation of independent organizations to represent self-employed workers. (d) However, employers' organizations should also be encouraged to broaden their base and to include special sections for own-account workers. It would be useful for self-employed persons to have these two alternatives available.

Netherlands. See reply to Question 26.

New Zealand. No. The establishment of representative bodies for SMEs is a matter for individual SMEs to arrange.

Nicaragua. Preference for (a) and (c), so that they can defend their own interests, which might not be the case with options (b) and (d).

Niger. (a) Yes. The problems of SMEs and large enterprises are not necessarily the same, and it is not a good idea for employers of SMEs and of large enterprises to be part of the same structure.

USTN: No. The choice should be left open. However, for considerations of efficiency, workers in SMEs could join independent representative organizations that already exist.

Pakistan. PNFTU: Yes.

Panama. UNPYME: Yes to all except (c).

Peru. (b) and (d) Yes. Employers' organizations are able to provide direct support services to SMEs in areas such as training, consultancy, information, linkages with larger enterprises, assistance in marketing and exports, and advisory services for members as regards legal and social responsibilities.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

Portugal. CCP: The concept of "independent representative organizations of SMEs" is not clear. Independent of whom?

Qatar. The instrument should encourage employers' organizations to extend their coverage to SMEs and to the self-employed if it is not already the case.

Senegal. CNTS: SMEs should belong to representative employers' organizations. Specific employers' organizations could prove to be appropriate in some sectors, although in general such organizations are expected to belong to existing and representative national employers' organizations.

South Africa. BSA: See reply to Question 26.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Sudan. (b) and (d) Yes.

Suriname. (a) and (c) No. (b) Yes. They should be encouraged to establish special SME departments. (d) Yes.

Sweden. LO: No.

Switzerland. See reply to Question 24.

USAM: (a) and (c) Yes. The provisions are perhaps useful for some countries. (b) and (d) This falls within the competence of the associations themselves.

USS: Similar reply to that of Israel — Histadrut.

UCAPS: (a) and (c) This could be appropriate for some countries. (b) and (d) The text goes too far; these are matters for the organizations themselves.

VSA: Yes.

Turkey. (a) Yes. The instrument should encourage the establishment of independent representative organizations of SMEs.

TISK: (b) would be more appropriate than (a). (c) The concept of the self-employed, according to international definitions, is used to describe production units which do not employ wage-earning workers. SMEs within this category should also be represented by means of broadly based organizations. (d) A similar organization in Turkey is the Turkish Confederation of Artisans and Craftsmen.

TÜRK-IS: (a) and (d) No. (b) and (c) Yes.

United Kingdom. CBI: It is the role of governments to ensure that all sectors of the business community have access to the necessary support services and decision-making processes.

United States. See reply to Question 23.

USCIB: No. There may be some instances where it is difficult for employers to form or join organizations. However, in many of these cases, the increasing use of technology such as the Internet will facilitate the exchange of ideas and information that have traditionally occurred through informal and formal networks and organizations. If organizations of SME employers as part of existing employers' organizations, or just of SMEs, occur as a matter of course, they should be encouraged. The idea in (c) and (d) that the self-employed are employers, whereas in other ILO instruments they are considered to be employees, is contradictory.

Uruguay. Employers: (a) and (c) No. (b) and (d) Yes.

Venezuela. (a) Yes. (c) Yes. Encourage the establishment of independent representative employers' organizations for the self-employed as a first step, since existing organizations of employers are slow to increase their membership.

Employers: (a) No. See reply to Question 24. (b) Yes. (c) No, only for professionals or equivalent categories. (d) Yes.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

The replies indicate strong support for including a suitable provision in the instrument to encourage SMEs to ensure that they are adequately organized and represented. Many comments state that the details of how this should be achieved should be left to the SMEs concerned. A significant number of replies also emphasize the important role which employers' organizations can and should be encouraged to play in this respect. Further, a number of replies point out that the distinction made in the question between SMEs and the self-employed may not be a very useful one, since they often have the same representational requirements.

The Office has therefore given further thought to the issue at stake to propose a more practicable text for consideration by the Conference which has been included in *Point 20* of the Proposed Conclusions. It will be noted that the proposed provision combines the provisions envisaged under Questions 27 and 29 into a single Point to avoid duplication and achieve greater clarity.

Qu. 28 *Should the instrument encourage the following involvement of workers' organizations in SME development:*

(a) voicing the concerns of workers in SMEs towards government regarding the policy and legal frameworks in which SMEs operate?

(b) provision of direct support services such as training, consultancy, facilitating access to credit, marketing support, promoting linkages with larger enterprises and similar services?

(c) involvement in the governance of national, regional and local SME-oriented institutions which provide support in such areas as training, consultancy, business start-up and quality?

(d) participation in councils, task forces and other bodies at central, regional and local levels established to deal with important economic and social issues, including policies and programmes affecting SMEs?

(e) taking part in the development of economically and socially progressive restructuring (by means of, for example, retraining and promotion of self-employment) while maintaining appropriate social safety nets?

(f) becoming involved in promotion of exchanges of experience and establishment of commercial linkages between SMEs?

(g) participating in the monitoring of social and labour market issues regarding SMEs, including terms and conditions of employment and working conditions?

(h) becoming involved in campaigns to raise quality, productivity and ethical standards and to achieve gender equality?

(i) other types of involvement? (Please specify.)

Total number of replies: 59.

Affirmative: 48. Argentina, Australia, Bahamas, Bahrain, Barbados, Brazil, Burundi, Cambodia, Canada, Central African Republic, Chad, China, Colombia ((a), (b), (d) to (f)), Costa Rica ((a), (b), (f), (h)), Cyprus, Czech Republic, Denmark, Dominica, Egypt, Germany, Hungary, Italy ((a) to (d) and (h)), Japan ((a), (d), (g), (h)), Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Mauritius, Mexico, Nicaragua, Niger, Oman, Panama ((b) and (d) to (h)), Peru, Philippines, Poland ((a)), Portugal, Romania ((c)), Slovakia, Spain, Sudan, Suriname, Turkey, Uruguay, Venezuela ((a) to (d) and (f) to (h)), Yemen ((b) to (d) and (f) to (h)).

Negative: 6. Bangladesh, Chile, Japan ((b), (c), (e), (f)), Poland ((b) to (h)), Switzerland, Yemen ((a) and (e)).

Other: 8. Austria, Bulgaria, France, Latvia, Malta, Netherlands, New Zealand, United States.

Australia. As for Question 26.

ACCI: Caution should be exercised in encouraging the involvement of workers' organizations in SME development. Only those organizations which are representative of employees in SMEs should speak for such employees. The instrument should not assume that an existing workers' organization will necessarily represent the interests of employees in SMEs. Just as employers' associations should demonstrate their representativeness in order to take part in the many representational and employment policy mechanisms encouraged by the instrument, so too should workers' organizations. However, those workers' organizations that are representative of employees in SMEs do have a role in voicing the concerns of such workers regarding government policy and legal frameworks. The role of workers' organizations in economic restructuring should also reflect their representativeness and should be restricted to retraining and similar service issues. Allocating promotional activities to workers' organizations is acceptable, but only when they are representative of employees in SMEs. Special care should be taken with the allocation of government funds to such associations because if they are not sufficiently representative the funds will be wasted. The role of workers' associations in campaigns should be similarly treated. Each of the above observations should be reflected in the instrument. In many countries, most employees of SMEs are not members of workers' organizations. Moreover, employers' organizations have a direct relationship with the very people in SMEs who make the decisions to employ, whereas workers' organizations lack this relationship, and are seen by many in SMEs (rightly or wrongly) as antagonistic to their success and growth, and their opportunities for employment creation. For this reason, employers' organizations must be accorded a more central role in initiatives to create employment in SMEs.

Austria. (a) to (c) The involvement of workers' organizations in such development should not be encouraged. Workers' organizations should predominantly represent workers' interests. The involvement of workers' organizations in the representation and promotion of SME interests could be a source of problems as it could lead to conflicts of interest within the workers' organizations. (d) Collaboration between the social partners in these areas is desirable as it offers a greater possibility of defining a policy that is satisfactory to both employers and workers. (e) The participation of workers' organizations in such measures should occur only to a limited extent. For measures which exclusively or primarily serve to promote self-employment, it is employers' organizations which are called on to elaborate appropriate programmes. (f) Such promotion is first and foremost the responsibility of employers' organizations. (g) The participation of workers' organizations certainly seems desirable from the point of view of the protection of workers' interests. (h) It is mainly the employers in SMEs who benefit from such campaigns. It is therefore mainly employers' organizations which should participate in them.

DUP: Yes to all except (h).

Bahamas. Yes. Provision should be made in the event that it occurs, although the organizations of SMEs are anticipated as being at the level of employers.

Bahrain. (i) Provision of periodical reports to employers' organizations on the functioning of SMEs.

Bangladesh. See reply to Question 23.

Brazil. Yes. However, as pointed out in connection with Question 26, workers' organizations have a limited capacity to contribute in some respects, in particular as regards (b). Similarly, it is not clear in what way workers' organizations could contribute to marketing or the establishment of links between SMEs and large enterprises. The same observation applies as regards (f). As regards (i) other types of involvement could include contribution to the systematic production of statistics and the carrying out of studies on SMEs and assistance in the establishment of central, regional and local institutions for the coordination and support of initiatives concerning the promotion of SMEs.

CNC: No.

CNI: Yes to all except (c).

Bulgaria. (d) Yes. As regards the remaining subparagraphs, yes, under some circumstances.

Canada. CEC: No. Adequate protection for workers and workers' rights is available through existing legislation and collective agreement provisions. Further, because SMEs are required to react to a fast-changing competitive environment domestically and internationally, they are best placed to recognize issues of training and social benefits applicable to their sector. It is not evident that workers' organizations are prepared to react positively to some of the changes necessary for SMEs to survive and provide jobs when issues arise in which employers and workers have different agendas. Greater union involvement in the management and planning of SME activities, products, and future strategies will add more layers of bureaucracy and increase the potential for conflict — and may hinder the effective and timely response of SMEs to business opportunities or challenges. Stimulation of job-creating culture means (assuming that workers are well treated and have appropriate access to redress) reduction of red tape, bureaucracy and other internal and external barriers that limit the ability of SMEs to maximize profitability, pay taxes and create jobs.

Chile. CONUPIA: Yes.

Colombia. ACOPI: Yes, to all except (a).

CGTD: (a) Yes, but the very structure of SMEs and the fact that all entrepreneurs are enemies of trade unionism mean that the concerns of workers in SMEs will not be heeded. However, this concern should be incorporated into the instrument on the understanding that without the input of the workers SMEs will not be able to achieve full development. In another part of this questionnaire, the ILO should address the issue of a specific agreement on worker participation, which would be helpful for future worker-employer disputes.

Cyprus. PEO: Yes.

Czech Republic. Confederation of Arts and Culture (KUK): Yes. Organizations of workers can to a certain degree take part in the tasks mentioned in the question, but they should concentrate on defending the interests of their members.

Denmark. Yes. As already noted, the involvement of the social partners is a cornerstone of the Danish labour market system.

LO: Generally yes.

AC: Generally yes.

Estonia. ESEA: Yes to all except (f) and (h).

ECIE: (a) to (d) Yes.

EATU: Yes to all except (f).

France. The main role of workers' organizations in the framework of SME development must be to defend the interests of the workers in these enterprises, which implies that they must be able to make known to the public authorities their viewpoints as regards the legal and financial framework in which SMEs operate. Action in this area by workers' organizations takes a variety of forms and includes involvement in the governance of national and local institutions, participation in working groups, the monitoring of social and labour market issues and in particular the conditions of work and employment of SME workers. The particularly important role that workers' organizations have in issues relating to employment and industrial relations in SMEs should be emphasized.

CFDT: Yes, and mainly points (a), (c), (e), (g) and (h).

Germany. In Germany, it is not considered the responsibility of the State to encourage the establishment of representative organizations. This is based on the conviction that the parties themselves, in the light of their own situation, are best suited to decide whether the establishment of interest groups is necessary and what areas these groups should focus on. Numerous regional and supraregional organizations have thus been formed in Germany representing the interests of SMEs. However, there is no objection to including the proposed list of forms of involvement provided that they are not mandatory.

BDA: Yes. In this context, the obligation upon States to guarantee the freedom of expression and opinion of workers' organizations is of particular importance.

Ghana. TUC: Yes. The involvement of workers' organizations in the development of SMEs is a vital basic principle which must be promoted to ensure tripartism and the advancement of living and working standards and conditions.

Iraq. GFTU: Yes.

Israel. Histadrut: The involvement of workers' organizations in the development of SMEs is a vital basic principle, forming part of the promotion of the principle of tripartism as the most economically efficient and most socially effective tool for the advancement of living and working standards and conditions. This applies particularly to the issues indicated in (a), (c), (d), (e), (g) and (h). (b) No. Provision of the direct support services listed in (b) is unlikely to form part of the trade union role in most countries, with the partial exception of training. However, in areas such as social protection and terms and conditions of employment trade unions may certainly be able to offer assistance and expertise to SMEs and these areas should be added to (b). (f) Yes. This would be appropriate in some countries, particularly where unions are involved in works councils or in positions on management boards.

Italy. (a) to (d), (h) Yes.

CONFINDUSTRIA: Questions 28 and 29 concern workers' organizations.

Japan. (a), (d), (g), (h) Yes. (b) and (c) No. Workers' organizations are engaged in the improvement of working conditions through bargaining with management and making proposals for policy measures for SMEs. The provision of services which are directly connected to the management of SMEs is not part of the functions of workers' organizations. (e) and (f) No. It is not the role of workers' organizations to provide such services.

NIKKEIREN: (a), (d), (g), (h) Yes. (b), (c), (e), (f) No. Such services and activities are not the responsibility of workers' organizations, whose primary objectives are to endeavour to improve working conditions, etc.

JTUC-RENGO: There is a need for workers' organizations to be directly or indirectly involved in all these aspects.

Kyrgyzstan. Yes. (a) Voicing the concerns of workers in SMEs as regards changes in the regulatory framework within which SMEs operate. (d) Yes, in order to pursue active labour market policies, solve social and economic problems and upgrade the regulatory framework to meet the needs of SMEs. (e) Yes, taking part in the development of existing standards and regulations affecting SMEs.

Latvia. Trade union members should be encouraged to participate in solving socio-economic problems.

Lebanon. Yes. The involvement of workers' organizations may, as far as possible, be similar to the role of employers. (i) Participation in the creation of solidarity funds for SME workers.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Malta. See reply to Question 24.

Mauritius. Yes.

Mexico. Yes. If organizations are established catering specifically for the needs of SMEs, it is essential to create channels of communication with workers to enable them to express their proposals and needs.

Netherlands. See reply made to Question 26.

New Zealand. In New Zealand workers' organizations are free to participate in any fora they wish. The extent of workers' organizations' involvement with SMEs and related policies are matters for the workers' organizations to decide.

Nicaragua. Yes, provided it is clear that the participation of workers' organizations in SME affairs is not manipulated in favour of particular political interests.

Niger. Workers' organizations should contribute to SME development in the same way as employers' organizations.

USTN: Yes. The principle of tripartism implies worker participation. Social protection and terms and conditions of employment should be added. Workers should participate in works councils and boards of directors.

Pakistan. PNFTU: Yes.

Panama. UNPYME: Yes to all except (g).

Peru. Yes. Just like employers' organizations, workers' organizations can add new development-oriented activities to their traditional bargaining function.

Poland. No to all except (a), which should, however, take place at the regional and local levels.

Solidarnosc: Similar reply to that of Israel — Histadrut.

All Poland Trade Union Alliance: Yes to all except (f) and (g).

Portugal. (i) Organization and management of human and material resources, marketing, product flow at the national and international levels, information technology and communications.

CCP: This provision does not make much sense in the context of tripartism.

Senegal. CNTS: Similar reply to that of Israel — Histadrut.

South Africa. BSA: See reply to Question 26.

Spain. Yes. See reply to Question 26.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Sweden. LO: Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. See reply to Question 24.

USS: Similar reply to that of Israel — Histadrut.

UCAPS: See replies to Questions 26 and 27.

VSA: Yes.

Turkey. TÜRK-IS: Yes to all except (f).

TISK: Yes.

United States. See reply to Question 23.

USCIB: No. It is altogether unclear whether workers' organizations have any role to play in the development of SMEs.

Workers: Yes. There should be broad participation of workers' organizations in SME development and the instrument should encourage this. A tripartite approach in which workers' organizations have a say is a good way to ensure that workers' interests will be protected and that workers will have a voice. In addition, it is important to have a worker perspective on issues of economic development; workers' organizations are often advocates for education, training, civil rights, retraining, social safety net issues and in other areas which are sometimes given less consideration.

Uruguay. Employers: Yes to all except (g), which should be the responsibility of the State.

Venezuela. Yes to all except (e).

Employers: Yes. In view of the ILO's tripartite nature, the instrument should provide for the involvement of the sector. (a) to (d) and (e) to (i) Yes, within the terms of reference and objectives of workers' organizations.

Zaire. CDT: Similar reply to that of Israel — Histadrut.

A large majority of government replies were affirmative to this question, with all subparagraphs receiving strong support. The replies from employers' and workers' organizations were also strongly supportive.

A number of replies, especially from workers' organizations, raised doubts about the capability, or likelihood, of workers' organizations becoming involved in the provision of all the direct services listed in subparagraph (b), with the possible exception of training. However, these replies did not actually say that workers' organizations should not provide such services should the occasion arise.

A small group of replies put forward the view that workers' organizations should focus wholly or mainly on protecting or representing workers' interests and improving working conditions, rather than on development or management issues.

With regard to subparagraph (i), a number of suggestions were made for other types of involvement by workers' organizations. These included helping carry out studies on SMEs, producing statistics and other information relevant to SMEs, and providing expertise on issues such as social protection, terms and conditions of employment, and industrial relations. While "terms and conditions of employment" is already included in the provision at subparagraph (g), the Office feels that the suggestions are justified. Consequently, subparagraph (b) has been amended to include the words: "advice on industrial relations". For reasons explained below, the issue of "advice on social protection" has been addressed as a separate Point.

After reviewing the replies to the similarly worded Question 26 regarding the role of employers' organizations in the development of SMEs, the Office has decided to combine the envisaged provisions to cover services by both employers' and workers' organizations in a single Point. The replies in both cases recommended very similar wordings and the combination of the two provisions into one will substantially reduce the length of the Proposed Conclusions and eliminate what would otherwise be considerable overlap and duplication.

The provisions contained in Questions 26 and 28, amended and consolidated along the lines set out above, have been included as *Point 18* of the Proposed Conclusions as a basis for further discussion by the Conference.

One aspect of special interest to workers' organizations concerning the provision of advice regarding social protection, has however been retained as a separate *Point 19* in the Proposed Conclusions, since there is no indication from governments, employers or workers that such services are considered important services for delivery by employers' organizations.

Qu. 29 *Should the instrument:*

(a) encourage the establishment of independent representative organizations of workers in SMEs?

(b) alternatively, encourage more broadly based workers' organizations to extend their coverage of workers in SMEs? If so, should it encourage them to establish special SME departments?

(c) encourage the establishment of independent representative workers' organizations for the self-employed?

(d) alternatively, should it encourage more broady based workers' organizations to establish special sections for the self-employed?

Total number of replies: 58.

Affirmative: 40. Bahrain ((b)), Barbados ((b) and (d)), Belarus ((a)), Bulgaria ((a)), Burundi, Cambodia, Canada ((a) and (c)), Central African Republic, Chile ((b) and (d)), China, Colombia ((a), (c), (d)), Costa Rica ((a) and (c)), Cyprus ((b) and (d)), Czech Republic ((b) and (d)), Denmark ((a) to (c)), Dominica ((b) and (d)), Egypt, Japan ((b)), Kenya, Kuwait, Kyrgyzstan, Lebanon ((b), (c), (d)), Malaysia ((b) and (d)), Mauritius, Mexico ((a) and (b)), Nicaragua ((a) and (c)), Oman ((a) and (c)), Panama ((a) and (d)), Peru ((b) and (d)), Philippines, Poland, Portugal ((b), (c), (d)), Romania, Slovakia, Sudan ((a) and (c)), Suriname ((b) and (d)), Syrian Arab Republic ((b)), Turkey ((a) and (b)), Uruguay ((a) and (c)), Venezuela ((a) and (d)).

Negative: 16. Australia, Bangladesh, Barbados ((a) and (c)), Bulgaria ((b) to (d)), Canada ((b) and (d)), Cyprus ((a) and (c)), Denmark ((d)), Dominica ((a) and (c)), Lebanon ((a)), Oman ((b) and (d)), Japan ((c) and (d)), Portugal ((a)), Suriname ((a) and (c)), Syrian Arab Republic ((a), (c), (d)), Turkey ((c) and (d)), Uruguay ((b) and (d)).

Other: 16. Argentina, Austria, Bahamas, Brazil, Chad, Estonia, Finland, France, Germany, Hungary, Malta, Netherlands, New Zealand, Niger, Switzerland, United States.

Argentina. It would be preferable for the instrument to promote the creation of departments within existing workers' organizations to represent workers in SMEs in each economic sector. This would avoid dividing the worker movement while at the same time facilitating the necessary adaptation of their structures so that they can continue playing a leading role in the development of collective bargaining in SMEs.

Australia. No. As for Question 27. The instrument should not be prescriptive on this point. It should encourage the adoption of one or more of the options, as appropriate to national conditions.

ACCI: (a) The instrument should encourage independent representative organizations of workers only as they are necessary to further the representative and consultative aims of initiatives to increase employment in SMEs. However, it would be inappropriate to encourage the establishment of special organizations for employees of SMEs only. (b) Existing workers' organizations could be encouraged to extend their coverage to workers in SMEs, but this should not involve government financial support. The instrument should merely encourage the widening of formal eligibility rules and international information sharing between organizations of employees. (c) The self-employed do not need special organizations, and it is inappropriate for an instrument to attempt to create them; the self-employed should be accommodated within existing organizations of employers. However, the instrument should not encourage this and governments should not be encouraged to participate financially in such a venture. (d) The internal structure of organizations is a matter for their own decision within the provisions of national laws. The instrument should not encourage them to establish special branches for any group of their members.

Austria. (a) and (b) In principle all workers should be represented by workers' organizations. It should be left to individual States to decide whether such representation should be provided by independent representative organizations or broad-based organizations. (d) Special sections for the self-employed in workers' organizations could be a source of problems. Workers' organizations should primarily be responsible for representing and promoting workers' interests.

DUP: (b) and (d) Yes.

GMBE: The instrument should motivate workers' organizations to broaden their coverage of workers in SMEs. Special departments for SMEs in unions in principle seem worth considering, but for Austria this would not be very efficient and is therefore not relevant at present.

Bahamas. This may not be necessary; however it should not be prohibited.

Bangladesh. See reply to Question 23.

Belgium. CNT: See reply to Question 26.

Brazil. The instrument should be limited to encouraging the free organization of workers, allowing them to decide for themselves how to adapt their organizations to national legislation and practice.

CNI: (a) and (c) No. (b) and (d) Yes.

CNC: No.

Canada. (a) Yes, where appropriate. The instrument need not encourage the establishment of an organization but rather there should be the right to freedom of association, free from government intervention. The most appropriate structure and relationship to more broadly based organizations would have to be defined by the workers in SMEs themselves. (b) No, in the light of (a) above. (c) Yes. Could be represented by SME organizations. (d) No, in the light of (c) above.

Chad. (a) Workers in SMEs should join existing trade unions. (b) to (d) Irrelevant.

CST: Yes.

Chile. CONUPIA: (a) and (c) Yes. (b) and (d) No.

Colombia. ACOPI: No.

CGTD: (a) Yes. Although the meaning of the word "independent" is not clear, bodies should be established to represent the workers. Labour legislation in Colombia makes provision for this, but entrepreneurs do not accept it; the instrument should therefore establish more specific standards on this matter.

Cyprus. (b) and (d) Yes. Moreover, the establishment of special SME departments should be encouraged.

Czech Republic. KUK: Yes to all except (a).

KPZS CR: (a) and (d) No. (b) and (c) Yes.

Denmark: (a) to (c) Yes. Employees in SMEs should be given the opportunity to organize and negotiate like others, but this might as well take place on an occupational sector basis. (d) No. This is not a task for an employee organization.

LO: (a) to (c) Employees should have the right to organize and negotiate like other employees, in line with ILO Conventions Nos. 87 and 98. (d) No.

DA: Generally no.

AC: Generally no.

Egypt. EFTU: (a) and (c) No. (b) and (d) Yes.

Estonia. Yes, but the form of organization should be decided by workers. (c) No.

ESEA: (a) Yes.

EATU: (b) and (d) Yes.

Finland. See reply to Question 27.

France. The establishment of independent representative organizations of workers in SMEs or possibly increasing their level of representation within existing organizations depend on the scope of these organizations and must be dealt with on the basis of national circumstances.

CFDT: (a) No, this approach runs counter to the principle underlying the ILO and French law, that is, the right of trade unions to represent all workers. The ILO should intensify its work to encourage existing independent and representative workers' organizations to broaden their coverage of SME workers and to seek the most appropriate ways of achieving this.

Germany. BDA: With regard to all four questions, the instrument should not contain specific provisions. In accordance with the principle of subsidiarity, the instrument should provide that initiative and decision-making should rest with the workers.

Ghana. TUC: (a) and (c) These are contrary to the basic ILO principle of the right of trade unions to represent all workers in the economy. The ILO should encourage existing independent representative workers' organizations to extend their coverage of workers in SMEs and among the self-employed as proposed in (b) and (d), in some cases establishing special SME departments.

Hungary. Instead of the suggestions made under (a) and (b), the document should recommend that if SMEs do not have independent workers' organizations, their establishment should be encouraged. If there are wider workers' organizations, it should encourage them to extend their activities to cover the employees of SMEs, setting up special SME departments, if necessary. Instead of the suggestions made under (c) and (d), the document should recommend that if there are no independent workers' organizations for the self-employed, their establishment should be encouraged. If there are wider workers' organizations, the document should encourage them to set up special departments for self-employed.

Iraq. GFTU: (b) and (d) Yes.

Israel. Histadrut: Similar reply to that of Ghana — GTUC.

Japan. (a) A section responsible for workers of SMEs, established in a workers' organization, is adequate. This would enhance the coherence of the organization as a whole. (b) Yes. (c) and (d) If the self-employed are regarded as individuals who manage their enterprises themselves, any organization of the self-employed is not a workers' organization but a proprietors' organization.

NIKKEIREN: (a) and (d) No. The instrument should not encourage the establishment of such workers' associations and organizations.

JTUC-RENGO: (a), (c), (d) No, not necessary. (b) Yes.

Jordan. FJCC: Yes.

GFJTU: (a) and (c) No. (b) and (d) Yes.

Kyrgyzstan. Yes. (d) Workers' organizations may also render assistance to the State and SMEs, as well as to special bodies established to support new entrepreneurs.

Latvia. See reply to Question 28.

Lebanon. (a) This should be left to national laws and regulations. (b) This alternative is possible through the extension of the coverage of workers' organizations to the workers in SMEs, according to the laws in force. The establishment of special SME departments should be left to the workers' organizations themselves. (c) This is possible, according to the laws and regulations in force. (d) This alternative is possible if the parties wish so, according to the laws in force.

Lithuania. LDS: Similar reply to that of Ghana — GTUC.

Malaysia. Broadly based workers' organizations would be ideal.

Malta. See reply to Question 24.

Mauritius. Yes.

Mexico. Yes. The instrument should encourage the creation of independent organizations to represent workers in SMEs, since they would help focus attention on the proposals and specific needs of SME workers. It would also be appropriate to encourage the establishment of a broader base in workers' organizations to include SME workers and the establishment of special SME departments. Both alternatives should be proposed since for some activities independent organizations might be more useful, whereas in others the establishment of a wider base in organizations might be more positive.

Netherlands. See reply to Question 26.

New Zealand. See replies to Questions 27 and 28.

Niger. SME workers are not obliged to establish independent organizations.

USTN: (a) and (c) are contrary to the fundamental principles of the ILO since these are activities carried out by own-account workers. Rather, existing independent representative workers' organizations should be encouraged to extend their coverage to this sector. These existing organizations have the right to represent workers and this right should not be denied them. There is therefore no reason to encourage the establishment of other independent organizations.

Pakistan. PNFTU: Similar reply to that of Ghana — GTUC.

Panama. UNPYME: No.

Peru. (b) Yes. Workers' organizations can participate with employers' organizations in councils, study groups and other bodies set up at the central and local level to study — in general terms — issues of an economic and social nature in particular, and the policies and programmes that affect the SME sector. (d) Yes.

CATP: (a) Yes.

Poland. Solidarnosc: Similar reply to that of Ghana — GTUC.

Portugal. CCP: No.

Senegal. CNTS: Similar reply to that of Ghana — GTUC.

South Africa. BSA: The instrument should limit itself to encouraging appropriate involvement in SME development by employers' and workers' organizations. It should not attempt to stipulate in such detail what these roles must be.

Sri Lanka. CWC: Similar reply to that of Ghana — GTUC.

Sweden. LO: Yes.

Switzerland. See reply to Question 24.

USS: Similar reply to that of Ghana — GTUC.

Syrian Arab Republic. Against (a) but support for (b) because the status of workers in SMEs and their concerns are different from those of workers in major enterprises. (c) and (d) should be deleted, as the legal definition of the term "worker" does not apply to the self-employed, and the latter cannot join workers' organizations.

Turkey. (a) and (b) Yes. (c) and (d) No, inappropriate, since the self-employed cannot be considered as wage-workers.

TISK: (b) Yes. (c) and (d) No, inappropriate, since the self-employed cannot be considered wage-workers.

TÜRK-IS: (a) and (c) No. (b) and (d) Yes.

United States. See reply to Question 23.

USCIB: No. See reply to Question 28.

Uruguay. Employers: No. The State should guarantee the freedom of individuals to set up representative organizations.

Venezuela. The instrument should encourage the main workers' organizations in the country to take account of workers in SMEs by establishing special sections for the sector and for the self-employed.

CGT: Yes. The instrument should encourage: (i) the establishment of independent representative organizations of self-account workers; and (ii) more broadly based workers' organizations to extend their coverage of workers in SMEs, establishing special SME departments.

Employers: (a) No. See Question 24. (b) and (d) Yes. (c) No, only at the level of each specialization or trade.

Zaire. CDT: Similar reply to that of Ghana — GTUC.

The replies indicate strong support for including a suitable provision in the instrument to encourage SME workers to be adequately organized and represented. However, the question elicited a variety of replies to subparagraphs (a) to (d). In fact all four were supported to significant degrees by different respondents so that no clear overall preference emerged.

A group of replies expressed the view that the form of organization that the representation of SME workers and the self-employed should take should be left to workers in individual States themselves to decide, in accordance with national laws and existing institutional and organizational arrangements.

Other replies, particularly from workers' organizations, expressed the view that the promotion of independent organizations for SME workers and the self-employed is contrary to a basic ILO principle of the right of trade unions to represent all workers in the economy. While such a constraint was not the intention of the question, it does reveal an unfortunate ambiguity in its wording, the purpose of which was to clarify whether specialized organizations might be needed to represent the special interests of workers in the SME and self-employed sectors.

The Office has given further thought to the issue and proposed a more practicable text for consideration by the Conference which has been included in *Point 20* of the Proposed Conclusions. It will be noted that the proposed text combines the provisions proposed under Questions 27 and 29 into a single Point to avoid duplication and achieve greater clarity.

VIII. International collaboration

Qu. 30 *Should the instrument recommend international collaboration in the following areas:*

(a) systematic exchange of information on best practices in terms of policies and programmes to create jobs in SMEs?

(b) creation of linkages between national and international bodies and institutions that are involved in SME development, including employers' and workers' organizations in order to facilitate:

- *(i) exchange of staff and ideas?*
- *(ii) exchange of training materials, training methodologies and reference materials?*
- *(iii) compilation of research findings and other data on SMEs and their development?*
- *(iv) establishment of international SME partnerships, alliances, subcontracting arrangements and other commercial linkages?*
- *(v) other types of linkages? (Please elaborate.)*

(c) *international meetings and discussion groups on approaches to job creation through SME development?*

(d) *systematic research into structures, effectiveness and key success factors for SME promotion in a variety of context and countries?*

(e) *promotion of access by SMEs to national and international databases in such areas as market information, laws and regulations, technology and product standards?*

Total number of replies: 65.

Affirmative: 60. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados ((a) and (b)), Belarus ((a) and (b)), Belgium ((a) and (b)(v)), Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad ((a) and (b)), Chile ((a) and (e)), China, Colombia ((a), (b)(i)(ii), (c), (e)), Costa Rica ((a), (b)(i)(ii)(iv), (d), (e)), Cyprus, Czech Republic, Denmark, Dominica, Egypt, Estonia, Finland, France ((a) and (b)), Hungary ((a), (b)(i)(ii)(iii), (c) to (e)), Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon ((a), (b)(i)(ii)(iii), (c) to (e)), Malaysia, Malta, Mauritius, Mexico, Myanmar ((a) to (c)), Netherlands, Nicaragua, Niger, Norway ((a), (b), (d), (e)), Oman ((a), (b)(i)(ii)(iii), (c) to (e)), Panama ((a), (b), (d), (e)), Peru, Philippines, Poland, Portugal, Qatar, Slovakia, Spain, Sudan, Suriname ((a) and (b)), Thailand, Turkey, United States, Uruguay, Yemen.

Negative: 3. Bangladesh, Hungary ((b)(iv)), Norway ((c)).

Other: 5. Belgium, Germany, Latvia, New Zealand, Switzerland.

Australia. Yes. Such developments are already occurring. For example, the OECD has established a working party on SMEs to facilitate the exchange of information and to undertake collaborative projects on SME-related issues. Within the Asia-Pacific Economic Cooperation framework, a Policy Level Group on SMEs has been established to undertake similar tasks.

ACCI: (a) Yes. The instrument should also recommend the sharing of information through the social partners to augment sharing at the national level. In other words, while government shares with government, peak national employers' and workers' organizations should also be encouraged to share their experiences. (b), (c), (d) Yes. (e) International data-sharing may also be useful, but the cost of such a measure would need to be strictly weighed against its utility. Perhaps a regularized system of international contacts could also be established to ensure that the suggested benefits are harnessed. This could take the form of regular conventions or symposia on job creation in SMEs. Another matter for consideration would be the use of new technologies such as the Internet to augment this periodic formal process with a continual information sharing discourse between governments, employers' and employees' organizations, and service providers. Such a mechanism would allow for a fast and wide-ranging sharing of experiences, success and failures. It would also lessen the need for the creation of a formal international database. The wide use of technology in smaller businesses offers a novel opportunity for the use of technology in service provision, and the instrument could recognize this.

Austria. Yes. Collaboration at the international level is in principle to be welcomed. In this connection, the participation of workers' organizations in the protection of workers' interests is to be encouraged. The participation of workers' organizations is particularly necessary in the areas mentioned in (a), (c) and (d). In the other areas, it is necessary where workers' interests could be affected.

DUP: Yes.

GMBE: (a) Yes. International collaboration is certainly one of the most important points in the instrument. (b) Yes. Recommendations associated with the establishment of interconnections between national and international bodies and institutions involved in the development of SMEs, including workers' and employers' organizations, are to be welcomed. The exchange of ideas, information and material at the international level thus becomes a matter of priority importance — not least in relation to employment creation.

Bangladesh. Promotional measures for the development of SMEs should be left entirely to the individual countries which should decide on such issues keeping in view their national goals and development objectives and overall socio-economic conditions.

Belgium. (a) The exchange of information on policies developed is useful and has already been developed by organizations such as the European Union and the OECD. The "systematization" of these exchanges seems too ambitious. Furthermore, proving the effectiveness of measures should not be a preliminary to the exchange of information. It is for each country to decide whether to carry out such evaluations and something that may be successful in one country may well prove to be a failure in another, given the difference in cultural circumstances. (b)(v) Yes. If specific policies and development instruments are established at the international or supranational level, national and regional SME organizations should coordinate their efforts to make sure they are recognized and active at these levels for decision-making purposes. Care should be taken to ensure that SMEs are represented at those levels. Suggestions for other measures: economic missions abroad; encouragement to participate in trade fairs and exhibitions specific to SMEs; cross-border partnership agreements to help SMEs to carry out the administrative and legal formalities of bordering countries.

Burundi. Yes, both multilaterally and bilaterally through the ILO.

Canada. (e) Yes. It is important to assist and encourage SMEs to participate in international markets.

CEC: No. National and international bodies that support the work of SMEs and facilitate the exchange of information, training methodologies, policy positions, research and access to markets already exist. Furthermore, many SMEs have formed linkages with large national and multinational enterprises that provide information on markets, research and new commercial opportunities.

Chad. CST: Yes.

Chile. CONUPIA: Yes.

China. (b)(v) Yes. Add "exchange of information on the measures taken by various countries in developing SMEs to promote employment".

Colombia. ACOPI: Yes to all except (c).

CGTD: (a) and (b)(ii) Yes. (b)(iii) Yes, although not in agreement with the words "and their development". SMEs should not be promoted simply for the sake of it, and if the labour sector accepts this industrial system it is because circumstances have forced it to do so. Large enterprises use this form of employment to the disadvantage of workers by subdividing themselves into smaller enterprises because this creates endless advantages, one of the main ones being that by such means they prevent the establishment of trade unions. (b)(iv) Yes. The instrument must make quite clear what is to be subcontracted because if it is staff the phrase should be deleted from the instrument. (c) Yes. The words "through SME development" should be deleted from the instrument for the reasons explained above. (d) Yes. The words "SME promotion" should be deleted. From the view point of trade unions and of developing countries, large enterprises are much more advantageous. If small ones are accepted as a way of solving unemployment, this scourge will only be half solved, as it is clear that enterprises of this type leave a lot to be desired.

Cyprus. PEO: Yes.

Czech Republic. Yes, especially (a), (b)(i)(ii)(iii), (e) and (d).

CMK OS: Yes. In view of the continuing integration of the European and world economy, international cooperation in the development of SMEs is, from the point of view of the Czech Republic, which is preparing to enter the European economic structures, very important.

Denmark. Generally, yes. However, there may be fields where it is not desirable to exchange information for competitive reasons.

LO: Yes, but it should be examined whether regionally based exchange is more appropriate.

DA: (a), (b)(i)(ii), (d) Yes. (b)(iii)(iv), (c), (e) No.

AC: Yes.

Estonia. EATU: (a), (b)(ii)(iv), (c) to (e) Yes.

ESEA: Yes.

ECIE: (b) and (e) Yes.

Finland. Yes. Emphasis should be placed on the importance of using international databases.

France. International collaboration on the issue of job creation in SMEs would be particularly useful since two-thirds of all employees in the developed countries are employed in SMEs. This collaboration should mainly relate to: (1) the exchange of information on national policies and programmes which have had a positive impact on employment creation in SMEs; (2) the creation of linkages between the social partners and specialized bodies at both the national and international levels in order to facilitate the exchange of experience and, where necessary, to pursue commercial objectives; (3) the application of labour legislation in SMEs, including respect for international labour standards in SMEs, and in particular the elimination of child labour; and (4) the most effective ways of making technology innovations available to SMEs, these being essential to improving their performance in national and international markets.

CFDT: Yes, but also the quality of jobs, including trade union rights, access to social protection, respect for occupational safety and health, and better working conditions.

Germany. No, because a positive reply would imply that such international cooperation would have to be organized within an ILO framework. That would lead to overlapping with numerous other organizations where the proposed exchange of information already takes place. Furthermore, such a worldwide exchange of information on SME policies does not seem particularly appropriate, given the substantial differences that exist between individual countries as regards economic structures and levels of development.

BDA: Yes.

Ghana. TUC: Yes.

Hungary. Yes to all except (b)(iv). This should only be influenced by market conditions.

Iraq. GFTU: (a), (b)(ii)(iii)(iv), (c), (d) Yes.

Israel. Histadrut: Yes. International collaboration through all areas indicated here would be beneficial. However, its primary objective must not be to consider the quantity of job creation but to focus on qualitative aspects of employment, including trade union rights, access to social protection, respect of occupational safety and health and improved working conditions.

Italy. Yes, particularly (a) and (c).

CONFINDUSTRIA: Yes.

Japan. NIKKEIREN: Yes.

JTUC-RENGO: Yes.

Jordan. Amman Chamber of Industry: International collaboration should be established through employers' organizations, except for vocational training. In particular, guidance should be provided to enterprise owners in areas such as product development and the best use of machinery.

FJCC: Yes to all except (b)(iv).

GFJTU: (a) and (b) Yes.

Kyrgyzstan. Yes, because all these elements affect the problem of employment and promote labour market regulation.

Latvia. International cooperation should be encouraged between SME trade union organizations in order to exchange information, ideas and work experience.

Lebanon. (a) Yes. The question is whether international cooperation, in itself, falls within the scope of an international labour instrument. If the result of the discussions confirms this, the preliminary replies would be as follows: (a) Yes. (b)(i)(ii)(iii) No objections. (b)(iv) The extent of these subjects should be discussed. (c) to (e) No objections, according to national laws and regulations.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Malaysia. MLO: An international forum for regular consultations would be fine.

Mauritius. It is imperative to establish international collaboration with regard to the development of the SME sector. Exchange of information and creation of linkages between national and international bodies and organizations would be a step in that direction. To enable SMEs to face the post-GATT challenges, they should be well informed and internationally linked. They should have easy access to international databases relating to market changes, design, quality and standards, new technology, research and development. Central government policy makers and employers' and workers' organizations should benefit from such collaboration. SMEs should benefit from exposure to international best practice and up-to-date technology. To that effect international organizations should sponsor SMEs from poorer countries to visit overseas units where they can acquire both on-the-job training and knowledge of technology. This would help SMEs have a longer industrial life cycle.

Mexico. Yes, the internationalization of information and collaboration between nations are features of modern society, and Members should engage in such collaboration so that they can play a greater participatory role in decision-making at both the national and international levels in this respect.

Netherlands. The possibilities for international cooperation mentioned here could be included in the Recommendation as examples. Governments and social partners wishing to do so could use these possibilities in their contacts. The Recommendation could state that in principle any requests for information on the points indicated should be complied with.

New Zealand. Extensive international collaboration on SME policy already exists, for example within the OECD and APEC. In order to avoid duplication, any proposals for further international collaboration should be built upon existing international collaboration.

Nicaragua. Yes, especially in developing countries, where international collaboration of every kind is extremely important.

Niger. USTN: Yes. Collaboration should focus on qualitative aspects, including trade union rights, access to social protection and welfare, occupational safety and health, and better working conditions.

Pakistan. PNFTU: Similar reply to that of Israel — Histadrut.

Panama. UNPYME: Yes.

Peru. CATP: Yes.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

Portugal. (b)(v) Organization of human and material resources, marketing, product flow, information technology and telecommunications.

Qatar. Yes. (b) Yes, because such linkages and cooperation may have a positive impact on these enterprises, although the creation of such linkages is not easy.

Senegal. CNTS: Similar reply to that of Israel — Histadrut.

South Africa. BSA: Yes. International collaboration and linkages should be fostered, but the details given in this question should be omitted.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Sweden. LO: (a) and (d) No. (b), (c), (e) Yes, provided that there are good proposals in this area and that they apply to all undertakings and not just to SMEs.

Switzerland. While the principle of international cooperation is essential, it is not necessary to list so many specific measures. Strengthening links between various already existing bodies (e.g. the ILO and OECD) would be the most appropriate.

USS: Similar reply to that of Israel — Histadrut.

UCAPS: (a) The use of such a measure would be purely academic and would not contribute to creating employment because each case is different. (b) to (e) See reply to Question 1.

United Kingdom. CBI: As the specific characteristics of SMEs vary widely, so will the correct mix of measures to satisfy their individual needs. Such needs are best addressed by locally delivered policy measures which themselves fit into a national or regional strategy. However, there is a place for the international exchange of best practice on measures to foster growth and competitiveness, but not by means of an instrument.

United States. USCIB: As a general proposition the free exchange of information is beneficial, and ought to be encouraged. One exception is where the exchange of information facilitates or creates anti-competitive collusion.

Uruguay. Employers: (a), (d), (e) Yes. (b) Yes, but (b)(i) should read "technical staff". (c) Yes, but deleting the words "approaches to job creation through ...".

Venezuela. CGT: Yes.
Employers: Yes.

Zaire. Similar reply to that of Israel — Histadrut.

The replies to the question are very strongly affirmative with regard to all subparagraphs of the proposed provision contained in the question.

Some replies emphasize that the international collaboration should include both qualitative and quantitative aspects of SME employment such as working conditions and social protection. Although the intention of the proposed provision is to cover both aspects, the Office has decided to make its intention more explicit by adding specific references to the qualitative aspect of SME employment where appropriate, in clauses (b)(iii) and (d).

One suggestion proposed that, in establishing the information exchange between the social partners, full advantage should be taken of the latest information technologies such as the Internet. The Office finds this a very valuable suggestion which should be incorporated in the provision, and has decided to add a new clause, (b)(v), to reflect this.

A few replies pointed out the need to avoid duplication with existing international mechanisms for information exchange and collaboration in the SME field.

The proposed provision contained in Question 30 has been introduced, as amended, as *Point 21* of the Proposed Conclusions.

Qu. 31 *Should the instrument encourage Members to adopt positions that are in accordance with the purposes of the proposed instrument when they participate in decision-making in other international organizations?*

Total number of replies: 57.

Affirmative: 54. Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Brazil, Bulgaria, Burundi, Cambodia, Canada, Central African Republic, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Czech Republic, Dominica, Egypt, Estonia, Finland, Hungary, Italy, Japan, Jordan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Malaysia, Malta, Mauritius, Mexico, Netherlands, Nicaragua, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Qatar, Slovakia, Spain, Sudan, Suriname, Turkey, United States, Uruguay, Yemen.

Negative: 3. Denmark, France, New Zealand.

Other: 1. Belgium.

Australia. Yes, as appropriate.

ACCI: Yes. The instrument should encourage such positional consistency. However, this area is fairly limited and has considerable overlap with other international mechanisms. To further the interests of the entire workforce, a given State may need to support or advocate measures which detract from or conflict with the objects of any instrument arising from this process.

Belgium. It should preferably be within the European Union that Belgium would consider taking coordinated positions with its partners on the subject of SMEs as regards the objectives to be proposed in the future instrument.

Brazil. CNC: No. Not applicable (see reply to Question 1).

Burundi. Yes, provided that they endorse it entirely.

Canada. Yes. Only to the extent that economic, social and political circumstances allow, and conflicting issues do not arise.

Denmark. LO: Yes.

AC: Yes.

Estonia. ESEA: No.

Finland. In general, yes.

France. No. Such positions are entirely up to governments.

Germany. BDA: This provision is superfluous.

Ghana. TUC: Yes.

Iraq. GFTU: Yes.

Israel. Histadrut: Yes. All ILO instruments should be respected by ILO member States when participating in decision-making in other international organizations. The same would logically apply in any instrument in this area as well.

Italy. CONFINDUSTRIA: Yes.

Japan. NIKKEIREN: Yes.

Kuwait. Yes.

Kyrgyzstan. Yes.

Lebanon. Yes, to the extent that member States accept the content of this instrument.

Lithuania. LDS: Similar reply to that of Israel — Histadrut.

Mauritius. Yes.

Netherlands. Yes.
VNO-NCW: See reply to Question 15.

New Zealand. Member country positions in other international fora are a matter for each country to decide.

Nicaragua. Yes, because this is one way of promoting awareness of, and enforcing, the provisions contained in international labour instruments.

Niger. USTN: Yes.
SPEIN: Yes. Decision-makers often have a state-oriented vision of SMEs.

Pakistan. PNFTU: Similar reply to that of Israel — Histadrut.

Peru. Yes, provided that the employment policies adopted are designed to promote small enterprises as a means of fighting unemployment, whether in a situation of structural adjustment or in a market economy, as is the case in Peru.

Poland. Solidarnosc: Similar reply to that of Israel — Histadrut.

Portugal. CCP: No. An international labour Recommendation should not contain a provision of this kind.

Senegal. CNTS: Similar reply to that of Israel — Histadrut.

South Africa. BSA: Yes. Members could be encouraged to do so, but this cannot be enforced, given the variety which exists from country to country.

Sri Lanka. CWC: Similar reply to that of Israel — Histadrut.

Sweden. LO: No.

Switzerland. UCAPS: This question can be answered only when the final text of the instrument is available.

Venezuela. CGT: Yes.
Employers: Yes.

Zaire. CDT: Yes.

Since almost all the replies are affirmative, the proposed provision has been included as *Point 22* in the Proposed Conclusions.

PROPOSED CONCLUSIONS

The following are the Proposed Conclusions which have been prepared on the basis of the replies summarized and commented upon in the present report. They have been drafted in the usual form and are intended to serve as a basis for discussion by the International Labour Conference at its 85th Session (1997).

A. Form of instrument

1. The International Labour Conference should adopt an instrument on general conditions to stimulate job creation in small and medium-sized enterprises (SMEs).

2. The instrument should take the form of a Recommendation.

B. Preamble

3. The instrument should contain a Preamble referring to relevant ILO instruments which might include the following: the Employment Policy Convention, 1964, and the Employment Policy (Supplementary Provisions) Recommendation, 1984; the Human Resources Development Convention, 1975, and the Human Resources Development Recommendation, 1975; the Cooperatives (Developing Countries) Recommendation, 1966; the Freedom of Association and Protection of the Right to Organise Convention, 1948; the Minimum Age Convention, 1973, and the Minimum Age Recommendation, 1973; the Discrimination (Employment and Occupation) Convention, 1958; the Right to Organise and Collective Bargaining Convention, 1949; as well as the resolution concerning the Promotion of Small and Medium-Sized Enterprises, adopted by the International Labour Conference at its 72nd Session (1986).

C. Definition, purpose and scope

4. Members should define an SME by reference to criteria such as number of employees, investment capital, sales volume, management structure and level of technology, and any other criteria as may be considered appropriate in accordance with national social and economic conditions.

5. Members should adopt measures which are appropriate to national conditions and consistent with national practice in order to recognize and to promote the fundamental role that SMEs can play as regards:

(a) the promotion of full, productive and freely chosen employment;

(b) greater access to income-earning opportunities;

(c) economic growth and the ability to react flexibly to changes;
(d) increased domestic savings and investment;
(e) training and development of human resources;
(f) balanced regional and local development;
(g) provision of goods and services which are better adapted to local market needs;
(h) the possibility of access to improved working conditions, quality of work as well as social protection for large numbers of people;
(i) stimulating innovation, technology development and research; and
(j) accessing domestic and international markets.

6. The provisions of this Recommendation should apply to all branches of economic activity and all types of enterprise, irrespective of the form of ownership (i.e. private and public companies, cooperatives, partnerships, family enterprises, sole proprietorships and others).

D. Policy and legal framework

7. In order to create a stable business environment, which is indispensable for the growth and development of SMEs, Members should:

(a) pursue appropriate fiscal, monetary and employment policies to ensure stability of the economic environment (as regards, in particular, inflation, interest and exchange rates, taxation, and employment and social stability);
(b) establish or apply appropriate rules as regards, in particular, property rights, zoning, enforcement of contracts, and social and labour legislation.

8. The measures referred to in Point 7 should be complemented by policies for the promotion of efficient and competitive SMEs able to provide productive and sustainable employment under adequate social conditions. To this end, these policies should:

(1) create conditions which:
    (a) provide equal opportunity for all sizes and types of enterprise as regards, in particular, access to credit, foreign exchange, imported inputs as well as taxation;
    (b) ensure the equal application of labour laws;
(2) address constraints to the development and growth of SMEs, as regards, in particular:
    (a) insufficient access to credit;
    (b) low levels of technical and managerial skills;
    (c) inadequate information;
    (d) low levels of productivity and quality;
    (e) insufficient access to markets;
    (f) difficulties of access to new technologies;

(g) inappropriate, inadequate or overly burdensome administrative requirements applicable to SMEs as regards, for instance, registration, licensing and reporting, without prejudice to the effectiveness of labour inspection and the system of supervision of working conditions and related issues;

(3) include specific measures aimed at upgrading the informal sector to become part of the organized sector.

9. With a view to the formulation of such policies, Members should:

(1) collect adequate national data on the SME sector, including quantitative and qualitative aspects of employment in the sector, while ensuring that this does not result in undue administrative burdens for the SMEs;

(2) undertake a comprehensive review of the impact of existing policies and regulations on SMEs;

(3) review labour and social legislation, in consultation with the most representative employers' and workers' organizations as well as with the representative organizations of the employers and workers concerned, if they exist, to determine whether:

(a) such legislation meets the special needs of SMEs, while ensuring adequate protection of their workers;

(b) as regards social protection, where appropriate, consideration should be given to a range of supplementary measures such as voluntary schemes, cooperative initiatives and others.

10. In formulating these policies, Members should:

(1) consult, in addition to the organizations referred to in Point 9(c) above, other concerned parties such as non-governmental organizations, small enterprise development institutions, academic, scientific and research bodies, financial institutions, technological institutes and labour market organizations, and others as considered appropriate;

(2) take into account other policies in such areas as fiscal and monetary matters, trade and industry, employment, labour, social protection and occupational safety and health;

(3) establish mechanisms to review and update these policies on a regular basis.

11. Members should consider, where appropriate in the light of national circumstances, the decentralization to the regional and local levels of the formulation and implementation of policies and regulations related to SMEs.

E. Development of an enterprise culture

12. Members should adopt measures to create and strengthen an enterprise culture which favours individual initiative and enterprise creation, productivity, quality, good labour relations, and social practices which are equitable. To this end, Members should pursue:

(1) the development of entrepreneurial attitudes through the system and programmes of education and training, with particular emphasis being given

to the importance of good labour relations, and the vocational and managerial skills needed by SMEs;

(2) the designing and implementation of, with full involvement of the organizations of employers and workers concerned, awareness campaigns to promote:
  (a) legally correct and socially beneficial business practices;
  (b) higher standards in areas such as productivity and working conditions;
  (c) higher consumer expectations as regards standards of design and quality;
  (d) entrepreneurial role models as well as award schemes, for both men and women.

F. Development of an effective SME service infrastructure

13. Members should provide for a range of direct support services to SMEs to enhance their competitiveness, growth and job creation potential, to include:

(a) managerial and vocational skills enhancement;
(b) consultancy and research services;
(c) access to credit and loan guarantees;
(d) quality testing and measurement;
(e) marketing assistance;
(f) packaging services;
(g) assistance in product design and development;
(h) business start-up assistance, including business planning;
(i) information services, including advice on government policies;
(j) export promotion;
(k) advice regarding technology;
(l) access to energy, telecommunications, and to physical infrastructure such as water, electricity, premises, transportation and roads, provided directly or through private sector intermediaries;
(m) support for innovation;
(n) legal, accounting and other financial services;
(o) business incubators;
(p) computer systems application, information technology services;
(q) environmental management services.

14. As far as possible, the direct support services referred to in Point 13 should be designed and provided to ensure the highest degree of relevance and efficiency through such means as:

(a) adapting the specific services and their delivery to the particular prevailing economic, social and cultural conditions;

(b) ensuring strong involvement of SMEs in the determination of services to be offered;

(c) encouraging private sector involvement in the delivery of such services through, for example, trade associations, workers' organizations, semi-public organizations and private consultants;

(d) decentralizing the delivery of services, thereby bringing them as physically close to the SMEs as possible;

(e) providing services tailored to the specific needs of SMEs of different sizes and in different sectors;

(f) promoting easy access to an integrated range of services through "single window" arrangements and referral services;

(g) aiming towards self-sustainability for service providers through a reasonable degree of cost recovery from SMEs and other sources, in such a manner as to limit the possible effects on existing service providers and the functioning of markets;

(h) ensuring professionalism and accountability in the management of service delivery;

(i) establishing mechanisms for continuous monitoring, evaluation and updating of services.

15. Whenever possible, services should be designed to include productivity-enhancing and other approaches which promote efficiency together with improved labour practices and working conditions.

16. Members should adopt measures to ensure access by SMEs to finance and credit under satisfactory conditions. In this connection:

(1) except in the case of particularly vulnerable groups of entrepreneurs, credit and other financial services should as far as possible be provided on commercial terms to ensure their sustainability;

(2) supplementary measures should be taken to enable SMEs to overcome problems related to complicated administrative procedures, inadequate collateral from SMEs and high transaction costs, by for example, the creation of non-governmental financial retail agents and poverty-oriented development finance institutions;

(3) SMEs may be encouraged to organize in mutual guarantee associations.

17. Members, without being directly involved in policy implementation, should in addition consider:

(1) the establishment and sponsoring of organizations, in addition to employers' and workers' organizations, which can effectively support the growth and competitiveness of SMEs;

(2) the establishment of an apex SME institution which would generally coordinate and support the initiatives related to SME promotion. In this regard, consultation with and involvement by the private sector should be considered;

(3) measures to promote linkages between large and small enterprises. In this connection, measures should be taken to safeguard the legitimate interests of SMEs when they act as subcontractors;

(4) measures to promote linkages between SMEs to encourage mutual learning as well as resource and risk sharing. In this connection, SME consortia, enterprise networks and service cooperatives and similar structures could be encouraged and the importance of the role of employers' organizations should be recognized;

(5) special measures for persons aspiring to become entrepreneurs among selected categories of the population, such as: women, persons affected by structural adjustment, disabled persons, demilitarized personnel, young persons including graduates, elderly workers with appropriate experience, ethnic minorities and indigenous and tribal peoples. The detailed identification of these categories should be carried out taking into account national socio-economic priorities and circumstances.

G. Roles of the employers' and workers' organizations

18. Employers' and workers' organizations should consider the following types of involvement in the development of SMEs:

(a) articulating the concerns of SMEs, or their workers, as appropriate, towards government regarding the policy and legal frameworks in which they operate;

(b) providing direct support services such as training, consultancy, facilitating access to credit, marketing support, promoting linkages with larger enterprises, advice on industrial relations, and similar services;

(c) involvement in the running of national, regional and local SME-oriented institutions which provide support in such areas as training, consultancy, business start-up and quality;

(d) participation in councils, task forces and other bodies at central, regional and local levels established to deal with important economic and social issues, including policies and programmes affecting SMEs;

(e) taking part in the development of economically and socially progressive restructuring (by means of, for example, retraining and promotion of self-employment) while maintaining appropriate social safety nets;

(f) becoming involved in promotion of exchanges of experience and establishment of commercial linkages between SMEs;

(g) participating in the promotion and monitoring, as appropriate, of social and labour market issues regarding SMEs, including terms and conditions of employment and working conditions;

(h) involvement in campaigns to raise quality, productivity and ethical standards and to achieve gender equality;

(i) preparing studies on SMEs, collecting statistical and other types of information relevant to the sector and sharing these as well as lessons of best practice in the promotion of SMEs among national and international employers' organizations.

19. In addition, workers' organizations should consider providing services and advice on social protection for workers in SMEs.

20. SMEs and their workers should be encouraged to be adequately represented. In this connection, employers' and workers' organizations should consider widening their membership base to include SMEs.

H. International cooperation

21. International cooperation should be undertaken in the following areas:

(a) systematic exchange of information on best practices in terms of policies and programmes to create jobs in SMEs;

(b) creation of linkages between national and international bodies and institutions that are involved in the development of SMEs, including employers' and workers' organizations, in order to facilitate:

  (i) exchange of staff and ideas;

  (ii) exchange of training materials, training methodologies and reference materials;

  (iii) compilation of research findings and other quantitative and qualitative data on SMEs and their development;

  (i) establishment of international partnerships of SMEs, alliances, subcontracting arrangements and other commercial linkages;

  (v) development of new mechanisms, utilizing modern information technologies such as the Internet, for the exchange of information between governments, workers' and employers' organizations on experience gained with regard to the promotion of SMEs;

(c) international meetings and discussion groups on approaches to job creation through the development of SMEs;

(d) systematic research into the structure, effectiveness and key success factors for promoting SMEs which are both efficient and capable of providing good working conditions and adequate social protection in a variety of contexts and countries;

(e) promotion of access by SMEs to national and international databases in such areas as market information, laws and regulations, technology and product standards.

22. Members are encouraged to adopt positions that are in accordance with the purposes of the proposed instrument when they participate in decision-making in international organizations.

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